FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

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

For the transition period from ____________ to ________________

Commission file number 1-10816

MGIC Investment Corporation
(Exact name of registrant as specified in its charter)

Wisconsin	39-1486475
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin	53202
(Address of principal executive offices)	(Zip Code)

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Common Stock, Par Value $1 Per Share Common Share Purchase Rights
Name of Each Exchange on Which Registered:	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

Title of Class: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of February 1, 2001: $5.6 billion*

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* Solely for purposes of computing such value and without thereby admitting that such persons are affiliates of the Registrant, shares held by The Northwestern Mutual Life Insurance Company and by directors and executive officers of the Registrant are deemed to be held by affiliates of the Registrant. Shares held are those shares beneficially owned for purposes of Rule 13d-3 under the Securities Exchange Act of 1934 but excluding shares subject to stock options.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of February 1, 2001: 106,858,747.

The following documents have been incorporated by reference in this Form 10-K, as indicated:

Document	Part and Item Number of Form 10-K Into Which Incorporated
1. Information from 2000 Annual Report to Shareholders (for Fiscal Year Ended December 31, 2000)	Item 1 of Part I Items 5 through 8 of Part II
2. Proxy Statement for the 2001 Annual Meeting of Shareholders	Items 10 through 13 of Part III

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. __

Part I

Item 1. Business.

A. General

MGIC Investment Corporation (the "Company") is a holding company which, through its wholly owned subsidiary, Mortgage Guaranty Insurance Corporation ("MGIC"), is the leading provider of private mortgage insurance coverage in the United States to the home mortgage lending industry. Private mortgage insurance covers residential first mortgage loans and expands home ownership opportunities by enabling people to purchase homes with less than 20% down payments. If the home owner defaults, private mortgage insurance reduces and, in some instances, eliminates the loss to the insured institution. Private mortgage insurance also facilitates the sale of low down payment mortgage loans in the secondary mortgage market, principally to the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (Fannie Mae and Freddie Mac are collectively referred to as the "GSEs"). In addition to mortgage insurance on first liens, the Company, through other subsidiaries, insures residential second mortgages and provides lenders with various underwriting and other services and products related to home mortgage lending.

MGIC is licensed in all 50 states of the United States, the District of Columbia and Puerto Rico. The Company is a Wisconsin corporation. Its principal office is located at MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (telephone number (414) 347-6480).

The Company and its business may be materially affected by the factors discussed in "Management's Discussion and Analysis -- Risk Factors" in Exhibit 13 to this Annual Report on Form 10-K. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that the Company may make.

B. The MGIC Book

Types of Product

In general, there are two principal types of private mortgage insurance: "primary" and "pool."

Primary Insurance. Primary insurance provides mortgage default protection on individual loans and covers unpaid loan principal, delinquent interest and certain expenses associated with the default and subsequent foreclosure (collectively, the "claim amount"). The insurer generally pays the coverage percentage of the claim amount specified in the primary policy, but has the option to pay 100% of the claim amount and acquire title to the property. The claim amount averages about 115% of the unpaid principal balance of the loan. Primary insurance generally applies to owner occupied, first mortgage loans on one-to-four family homes, including condominiums. Primary coverage can be used on any type of residential mortgage loan instrument approved by the mortgage insurer. References in this document to amounts of insurance written or in force, risk written or in force and other historical data related to MGIC's insurance refer only to direct (before giving effect to reinsurance) primary insurance, unless otherwise indicated.

The following table shows, on a direct basis, primary insurance in force (the unpaid principal balance of insured loans as reflected in MGIC's records) and primary risk in force (the coverage percentage applied to the unpaid principal balance), for insurance that has been written by MGIC (the "MGIC Book") as of the dates indicated:

Primary Insurance and Risk In Force

	December 31,				
	2000	1999	1998	1997	1996
	(In millions of dollars)				
Direct Primary Insurance In Force.....	$160,192	$147,607	$137,990	$138,497	$131,397
Direct Primary Risk In Force..........	$39,090	$35,623	$32,891	$32,175	$29,308

The coverage percentage provided by MGIC is determined by the lender. For loans sold by lenders to Fannie Mae or Freddie Mac, the coverage percentage must comply with the requirements established by the particular GSE to which the loan is delivered. Effective in the first quarter of 1995, Freddie Mac and Fannie Mae increased their coverage requirements for, among other loan types, 30-year fixed rate mortgages with loan-to-value ratios, determined at loan origination ("LTVs"), of 90.01-95.00% ("95s") from 25% coverage to 30% coverage and for such mortgages with LTVs of 85.01-90.00% ("90s") from 17% to 25%. During the first quarter of 1999, the GSEs changed their mortgage insurance requirements for fixed rate and certain other mortgages on owner occupied properties having terms greater than 20 years when the loan is approved by their automated underwriting services. Lenders may deliver these loans to the GSEs with the prior coverage requirements (30% for a 95 and 25% for a 90), or in the case of 95s, with either (i) 25% coverage or (ii) 18% coverage and the payment of a delivery fee to the

GSE, and in the case of 90s, with either (i) 17% coverage or (ii) 12% coverage and the payment of a delivery fee to the GSE.

The following table shows new insurance written during the last four years for 95s with 30% coverage and for 90s with 25% coverage:

Coverage Categories as a Percentage of New Insurance Written

LTV/ Coverage	Year Ended December 31			
	2000	1999	1998	1997
95 / 30%	32.2%	32.0%	33.9%	38.7%
90 / 25%	29.6%	34.7%	38.6	39.1%
Total	61.8%	66.7%	72.5%	77.8%

The Company expects the aggregate percentage of its new insurance written with 95/30% and 90/25% coverage will continue to decline in response to the GSEs changed mortgage insurance requirements.

MGIC charges higher premium rates for higher coverages, and the deeper coverage requirements imposed by the GSEs beginning in 1995 have resulted in higher earned premiums for loans with the same characteristics (such as LTV and loan type). MGIC believes depth of coverage requirements have no significant impact on frequency of default. Higher coverage percentages generally result in increased severity (which is the amount paid on a claim), and lower coverage percentages generally result in decreased severity. In accordance with industry accounting practice, reserves for losses are only established for loans in default. Because relatively few defaults occur in the early years of a book of business (see "Past Industry Losses; Defaults; and Claims--Claims" below), the higher premium revenue from deeper coverage is recognized before any higher losses resulting from that deeper coverage may be incurred. On the other hand, while a decline in coverage percentage will result in lower premium revenue, it should also result in lower incurred (and paid) losses at the same level of claim incidence. However, given the historical pattern of claims, the decline in revenue will precede the benefits of reduced severity. MGIC's premium pricing methodology generally targets substantially similar returns on capital regardless of the depth of coverage. However, there can be no assurance that changes in the level of premium rates adequately reflect the risks associated with changes in the depth of coverage.

In partnership with mortgage insurers, the GSEs are also offering programs under which, on delivery of an insured loan to a GSE, the primary coverage is restructured to an initial shallow tier of coverage followed by a second tier that is subject to an overall loss limit and, depending on the program, compensation may be paid to the GSE reflecting services or other benefits realized by the mortgage insurer from the coverage conversion. Lenders receive guaranty fee relief from the GSEs on mortgages delivered with these restructured coverages.

Mortgage insurance coverage cannot be terminated by the insurer, except for non-payment of premium, and remains renewable at the option of the insured lender, generally at the renewal rate fixed when the loan was initially insured. Lenders may cancel insurance at any time at their option or because of mortgage repayment, which may be accelerated because of the refinancing of mortgages. In the case of a loan purchased by Freddie Mac or Fannie Mae, a borrower meeting certain conditions may require the mortgage servicer to cancel insurance upon the borrower's request when the principal balance of the loan is 80% or less of the home's current value.

Under the federal Homeowners Protection Act (the "HPA") a borrower has the right to stop paying premiums for private mortgage insurance on loans closed after July 28, 1999 secured by a property comprised of one dwelling unit that is the borrower's primary residence when certain LTV ratio thresholds determined by the value of the home at loan origination and other requirements are met. In general, a borrower may stop making mortgage insurance payments when the LTV ratio is scheduled to reach 80% (based on the loan's amortization schedule established at loan origination) if the borrower so requests and if certain requirements relating to the borrower's payment history and the absence of junior liens and a decline in the property's value since origination are satisfied. In addition, a borrower's obligation to make payments for private mortgage insurance generally terminates regardless of whether a borrower so requests when the LTV ratio reaches 78% of the unpaid principal balance of the mortgage and the borrower is (or thereafter becomes) current in his mortgage payments. A borrower's right to stop paying for private mortgage insurance applies only to borrower paid mortgage insurance. The HPA requires that lenders give borrowers certain notices with regard to the cancellation of private mortgage insurance.

In addition, some states require that mortgage servicers periodically notify borrowers of the circumstances in which they may request a mortgage servicer to cancel private mortgage insurance and some states allow the borrower to require the mortgage servicer to cancel private mortgage insurance under certain circumstances or require the mortgage servicer to cancel such insurance automatically in certain circumstances.

Coverage tends to continue in areas experiencing economic contraction and housing price depreciation. The persistency of coverage in such areas coupled with cancellation of coverage in areas experiencing economic expansion and housing price appreciation can increase the percentage of the insurer's portfolio comprised of loans in economically weak areas. This development can also occur during periods of heavy mortgage refinancing because refinanced loans in areas of economic expansion experiencing property value appreciation are less likely to require mortgage insurance at the time of refinancing, while refinanced loans in economically weak areas not experiencing property value appreciation are more likely to require mortgage insurance at the time of refinancing or not qualify for refinancing at all and, thus, remain subject to the mortgage insurance coverage.

When a borrower refinances an MGIC-insured mortgage loan by paying it off in full with the proceeds of a new mortgage, the insurance on that existing mortgage is cancelled, and insurance on the new mortgage is considered to be new primary insurance written. Therefore, continuation of MGIC's coverage from a refinanced loan to a new loan results in both a cancellation of insurance and new insurance written. The percentage of primary risk written with respect to loans representing refinances was 18.0% in 2000 compared to 22.3% in 1999 and 25.6% in 1998.

In addition to varying with the coverage percentage, MGIC's premium rates vary depending upon the perceived risk of a claim on the insured loan and, thus, take into account the LTV, the loan type (fixed payment versus non-fixed payment) and mortgage term and, for subprime loans, where the borrower's credit score falls within a range of credit scores. In general, subprime loans are mortgages that would not meet the standard underwriting guidelines of Fannie Mae and Freddie Mac for prime mortgages due to credit quality, documentation, or other factors, such as in a refinance transaction exceeding a specified increase in the amount of mortgage debt due to cash being paid to the borrower.

Premium rates cannot be changed after the issuance of coverage. Because the Company believes that over the long term each region of the United States is subject to similar factors affecting risk of loss on insurance written, MGIC generally utilizes a nationally based, rather than a regional or local, premium rate policy.

The borrower's mortgage loan instrument may require the borrower to pay the mortgage insurance premium ("borrower paid mortgage insurance") or there may be no such requirement imposed on the borrower, in which case the premium is paid by the lender, who may recover the premium through an increase in the note rate on the mortgage ("lender paid mortgage insurance"). Almost all of MGIC's primary insurance in force and new insurance written, other than through bulk transactions, is borrower paid mortgage insurance.

Under the monthly premium plan, a monthly premium payment is made to MGIC to provide only one month of coverage, rather than one year of coverage provided by the annual premium plan. Under the annual premium plan, the initial premium is paid to MGIC in advance, and earned over the next twelve months of coverage, with annual renewal premiums paid in advance thereafter and earned over the subsequent twelve months of coverage. The annual premiums can be paid with either a higher premium rate for the initial year of coverage and lower premium rates for the renewal years, or with premium rates which are equal (level) for the initial year and subsequent renewal years. Under the single premium plan, a single payment is made to MGIC, covering a specified term exceeding 12 months.

During each of the last three years, the monthly premium plan represented more than 90% of MGIC's new insurance written. The annual premium plan represented substantially all of the remaining new insurance written.

Pool Insurance. Pool insurance is generally used as an additional "credit enhancement" for certain secondary market mortgage transactions. Pool insurance generally covers the loss on a defaulted mortgage loan which exceeds the claim payment under the primary coverage, if primary insurance is required on that mortgage loan, as well as the total loss on a defaulted mortgage loan which did not require primary insurance, in each case up to a stated aggregate loss limit.

During the first quarter of 1997, the Company began writing pool insurance generally covering fixed-rate, 30-year mortgage loans delivered to Freddie Mac and Fannie Mae ("agency pool insurance"). The aggregate loss limit on agency pool insurance generally does not exceed 1% of the aggregate original principal balance of the mortgage loans in the pool. New pool risk written during 2000 was $345 million and was $564 million in 1999. New pool risk written during these years was virtually all agency pool insurance, with the remaining risk written associated with loans insured under state housing finance programs. Net (giving effect to external reinsurance) MGIC Book pool risk in force at December 31, 2000 was $1.5 billion compared to $1.4 billion and $0.9 billion at December 31, 1999 and 1998, respectively.

For a discussion of litigation brought as a nationwide class action alleging that MGIC violated the Real Estate Settlement Procedures Act ("RESPA") by providing agency pool insurance and entering into other transactions with lenders that were not properly priced (the "RESPA Litigation"), see Item 3 "Legal Proceedings." The proposed settlement of the RESPA Litigation, which has been preliminarily approved by the Court, includes an injunction that specifies the basis on which agency pool insurance may be provided in compliance with RESPA.

In a February 1, 1999 circular addressed to all mortgage guaranty insurers licensed in New York, the New York Department of Insurance ("NYID") advised that "significantly underpriced" agency pool insurance would violate the provisions of New York insurance law that prohibit mortgage guaranty insurers from providing lenders with inducements to obtain mortgage guaranty business. The NYID circular does not provide standards under which the NYID will evaluate whether agency pool insurance is "significantly underpriced." In response to subsequent inquiries from the NYID, MGIC provided various information about agency pool insurance to the NYID. In a January 31, 2000 letter addressed to all mortgage guaranty insurers licensed in Illinois, the Illinois Department of Insurance advised that providing pool insurance at a "discounted or below market premium" in return for the referral of primary mortgage insurance would violate Illinois law.

Captive Mortgage Reinsurance. MGIC's products include captive mortgage reinsurance in which an affiliate of a lender reinsures a portion of the risk on loans originated or purchased by the lender which have MGIC primary insurance. Approximately 21% of MGIC's primary risk in force at December 31, 2000 was subject to captive mortgage reinsurance and other similar arrangements compared to approximately 15% at year-end 1999. The complaint in the RESPA Litigation alleges that MGIC pays "inflated" captive mortgage reinsurance premiums in violation of RESPA. The proposed settlement includes an injunction that specifies the basis on which captive mortgage reinsurance may be provided in compliance with RESPA.

Other Reinsurance. At December 31, 2000, disregarding reinsurance under captive structures, less than 5% of MGIC's insurance in force was reinsured. Reinsuring against possible loan losses does not discharge MGIC from liability to a policyholder; however, the reinsurer agrees to indemnify MGIC for the reinsurer's share of losses incurred.

Bulk Transactions

Primary insurance may be written on a flow basis, in which loans are insured in individual, loan-by-loan transactions, or may be written on a bulk basis, in which loans in an existing portfolio are insured in a single, bulk transaction. Generally, in bulk transactions, the individual loans in the insured portfolio are insured to specified levels of coverage and there is an aggregate loss limit applicable to all of the insured loans. Bulk transaction are frequently effected in connection with the securitization of mortgage loans by securitizers other than the GSEs. The premium in a bulk transaction is based on the mortgage insurer's evaluation of the overall risk of the insured loans included in the transaction and is negotiated with the securitizer or other owner of the loans. Most of the subprime loans insured by MGIC in 2000 were insured in bulk transactions.

Customers

Originators of residential mortgage loans such as mortgage bankers, savings institutions, commercial banks, mortgage brokers, credit unions and other lenders have historically determined the placement of mortgage insurance written on flow basis and as a result are the customers of MGIC. To obtain primary insurance from MGIC written on flow basis, a mortgage lender must first apply for and receive a mortgage guaranty master policy ("Master Policy") from MGIC. MGIC had approximately 12,000 master policyholders at December 31, 2000 (not including policies issued to branches and affiliates of large lenders). In 2000, MGIC issued coverage on mortgage loans for approximately 4,200 of its master policyholders. MGIC's top 10 customers generated 36.2% of its new insurance written in 2000, compared to 32.5% in 1999 and 33.7% in 1998. These percentages do not include new insurance written in subprime bulk transactions.

Sales and Marketing and Competition

Sales and Marketing. MGIC sells its insurance products through its own employees, located throughout the United States. At December 31, 2000, MGIC had 27 underwriting centers located in 19 states and in Puerto Rico.

Competition. MGIC and other private mortgage insurers compete directly with federal and state governmental and quasi-governmental agencies, principally the FHA and, to a lesser degree, the Veterans Administration ("VA"). These agencies sponsor government-backed mortgage insurance programs, which during 2000 accounted for approximately 41% (compared to approximately 48% during 1999) of the total low down payment residential mortgages which were subject to governmental or private mortgage insurance. See "Regulation, Indirect Regulation" below. Loans insured by the FHA and the VA cannot exceed maximum principal amounts which are determined by a percentage of the conforming loan limit (which is the annually adjusted maximum unpaid principal amount of loans that can be purchased by Fannie Mae and Freddie Mac). For 2000, the maximum FHA and VA loan amount for homes with one dwelling unit in "high cost" areas may be as high as $239,250 compared to $219,849 in 1999.

In addition to competition from the FHA and the VA, MGIC and other private mortgage insurers face competition from state-supported mortgage insurance funds in several states, including California, Illinois and New York. From time to time, other state legislatures and agencies consider expansions of the authority of their state governments to insure residential mortgages.

Private mortgage insurers may also be subject to competition from Fannie Mae and Freddie Mac to the extent the GSEs are compensated for assuming default risk that would otherwise be insured by the private mortgage insurance industry. Fannie Mae and Freddie Mac each have programs under which an up-front delivery fee can be paid to the GSE and primary mortgage insurance coverage is substantially reduced compared to the coverage requirements that would apply in the absence of the program. See "Types of Product--Primary Insurance" above. In October 1998, Freddie Mac's charter was amended (and the amendment immediately repealed) to give Freddie Mac flexibility to use protection against default in addition to private mortgage insurance and the two other types of credit enhancement required by the charter for low down payment mortgages purchased by Freddie Mac. In addition, to the extent up-front delivery fees are not retained by the GSEs to compensate for their assumption of default risk, and are used instead to purchase supplemental coverage from mortgage insurers, the resulting concentration of purchasing power in the hands of the GSEs could increase competition among insurers to provide such coverage.

The capital markets may also develop as competitors to private mortgage insurers. During 1998, a newly-organized off-shore company funded by the sale of notes to institutional investors provided "reinsurance" to Freddie Mac against default on a specified pool of mortgages owned by Freddie Mac.

MGIC and other mortgage insurers also compete with transactions structured to avoid mortgage insurance on low down payment mortgage loans. Such transactions include self-insuring and originating loans comprised of both a first and a second mortgage, with the LTV ratio of the first mortgage below what investors require for mortgage insurance, instead of originating a loan in which the first mortgage covers the entire borrowed amount. Captive mortgage reinsurance and similar transactions also result in mortgage originators receiving a portion of the premium and the risk.

The private mortgage insurance industry currently consists of eight active mortgage insurers and their affiliates; one of the eight is a joint venture in which a mortgage insurer is one of the joint venturers. The names of these mortgage insurers are listed in "Management's Discussion and Analysis--Risk Factors" in Exhibit 13 to this Annual Report on Form 10-K. For 1995 and subsequent years, MGIC has been the largest private mortgage insurer based on new primary insurance written (with a market share of 24.5% in 2000, 24.3% in 1999 and 23.1% in 1998) and at December 31, 2000, MGIC also had the largest book of direct primary insurance in force. As a result of bulk transactions, quarterly market share in 2000 reflected greater volatility than in the past, a circumstance that may continue in 2001.

The private mortgage insurance industry is highly competitive and, in recent years, the dynamics of industry competition have undergone significant change. The Company believes it competes with other private mortgage insurers for flow business principally on the basis of programs involving agency pool insurance, captive mortgage reinsurance and other similar structures involving lenders; the provision of contract underwriting and related fee-based services to lenders; the provision of other products and services that meet lender needs for underwriting risk management, affordable housing, loss mitigation, capital markets and training support; the strength of MGIC's management team and field organization; and the effective use of technology and innovation in the delivery and servicing of MGIC's insurance products. The Company believes MGIC's additional competitive strengths, compared to other private insurers, are its customer relationships, name recognition, reputation and the depth of its database covering loans it has insured.

The complaint in the RESPA Litigation alleges, among other things, that agency pool insurance, captive mortgage reinsurance and contract underwriting as provided by the Company violate RESPA. The proposed settlement includes an injunction that specifies the basis on which these products and services may be provided in compliance with RESPA.

Certain private mortgage insurers compete by offering lower premium rates than other companies, including MGIC, either in general or with respect to particular classes of business. MGIC on a case-by-case basis will adjust premium rates, generally depending on the risk characteristics, loss performance or class of business of the loans to be insured, or the costs associated with doing such business.

If the risk-based capital stress test for the GSEs proposed in March 1999 by the Office of Federal Housing Enterprise Oversight ("OFHEO") as finally adopted gives more capital credit to mortgage insurance provided by a "AAA"-rated insurer (as discussed under "Regulation--Direct Regulation" below, MGIC's claims-paying ability is rated "AA+"), the availability of "AAA" capacity or the provision of equivalent coverage would likely become a competitive factor among mortgage insurers. See "Management's Discussion and Analysis--Results of Consolidated Operations--2000 Compared with 1999--Other Matters" in Exhibit 13 hereof for additional information about the proposed OFHEO stress test.

Contract Underwriting and Related Services

The Company performs contract underwriting services for lenders in which the Company judges whether the data relating to the borrower and the loan contained in the lender's mortgage loan application file comply with the lender's loan underwriting guidelines. The Company also provides an interface to submit such data to the automated underwriting systems of the GSEs, which independently judge the data. These services are provided for loans that require private mortgage insurance as well as for loans that do not require private mortgage insurance. A material portion of the Company's new insurance written in recent years involved loans for which the Company provided contract underwriting services. The complaint in the RESPA Litigation alleges, among other things, that the pricing of contract underwriting provided by the Company violates RESPA. The proposed settlement specifies the basis on which contract underwriting may be provided in compliance with RESPA.

Risk Management

Risk Management Approach. MGIC evaluates four major elements of risk:

- Individual Loan and Borrower. Except to the extent its delegated underwriting program is being utilized or for loans approved by the automated underwriting services of the GSEs (see "Delegated Underwriting and GSE Automated Underwriting Approvals" below), MGIC evaluates insurance applications based on its analysis of the borrower's ability to repay the mortgage loan and the characteristics and value of the property. The analysis of the borrower includes reviewing the borrower's FICO credit score, as reported by credit reporting agencies, as well as the borrower's housing and total debt ratios. In the case of delegated underwriting, compliance with program parameters is monitored by periodic audits of delegated business.

- Geographic Market. MGIC places significant emphasis on the condition of the housing markets around the nation in determining its underwriting policies.

- Product. The type of mortgage instrument that the borrower selects and the purpose of the loan are important factors in MGIC's analysis of mortgage default risk. MGIC analyzes four general characteristics of the product to quantify this risk evaluation: (i) LTV ratio; (ii) type of loan instrument; (iii) type of property; and (iv) purpose of the loan. In addition to its underwriting guidelines (as referred to below), pricing is MGIC's principal method used to manage these risks. Loans with higher LTV ratios generally have a higher premium, as do instruments such as ARMs with an initial interest period of less than five years and loans with a maturity longer than fifteen years.

- Mortgage Lender. MGIC evaluates from time to time its major customers and the performance of their business which MGIC has insured.

The Company believes that, excluding other factors, the claim incidence for 95s is substantially higher than for 90s or loans with lower LTV ratios; for loans with LTVs greater than 95 (which include loans with LTVs of up to 103) is substantially higher than for 95s; for ARMs during a prolonged period of rising interest rates would be substantially higher than for fixed rate loans; for loans in which the original loan amount exceeds the conforming loan limit is higher than for loans where such amount is below the conforming loan limit; and for loans with lower FICO credit scores (which include subprime loans) is higher than for loans with higher FICO credit scores. MGIC charges higher premium rates to reflect the increased risk of claim incidence that it perceives is associated with a loan. However, there can be no assurance that MGIC's premium rates adequately reflect the increased risk, particularly in a period of economic recession.

There are also other types of loan characteristics relating to the individual loan or borrower which affect the risk potential for a loan. The presence of a number of higher-risk characteristics in a loan materially increases the likelihood of a claim on such a loan unless there are other characteristics to lower the risk.

Underwriting Process. To obtain primary insurance on a specific mortgage loan for which delegated underwriting is not being used, a master policyholder typically submits an application to MGIC, supported by various documents, if required by MGIC. MGIC utilizes national underwriting guidelines to evaluate the potential risk of default on mortgage loans submitted for insurance coverage. These guidelines generally are consistent with Fannie Mae and Freddie Mac underwriting guidelines and take into account the applicable premium rates charged by MGIC and the loss experience of the private mortgage insurance industry, as well as the initiatives to expand home ownership opportunities undertaken by Fannie Mae and Freddie Mac. MGIC's underwriters have discretionary authority to insure loans which deviate in one or more respects from MGIC's underwriting guidelines. In most such cases, offsetting underwriting strengths must be identified.

In order to react to local or regional economic conditions, MGIC has also developed for use by its underwriting staff certain modified guidelines which attempt to address particular regional or local market developments. These "special market underwriting guidelines" are updated from time to time and deviate in varying degrees from MGIC's national guidelines based on MGIC's analysis of area housing markets and related economic indicators and conditions. The special market underwriting guidelines are more liberal than the published national guidelines in some markets, but in other markets are more restrictive.

To assist its staff of underwriters, MGIC utilizes a computer-assisted underwriting system which analyzes and approves certain mortgage insurance applications based on MGIC's underwriting standards, but without personal underwriter intervention, thereby allowing MGIC's underwriting staff to devote additional attention to evaluating more difficult underwriting decisions. MGIC audits a representative sample of applications approved by the system.

Delegated Underwriting and GSE Automated Underwriting Approvals. Delegated underwriting is a program whereby approved lenders are allowed to commit MGIC to insure loans utilizing their MGIC-approved underwriting guidelines and underwriting evaluation. For delegated loans insured on a flow basis, while MGIC does not underwrite on a loan-by-loan basis the credit of the borrower, the value of the property, or other factors which it normally considers in its underwriting decision, it does audit on a regular basis a sample of the loans insured. Loans insured in bulk transactions are categorized as delegated underwritten loans. For these loans, the audit is conducted prior to the commitment for the insurance and includes other procedures for certain loans that are not audited.

At December 31, 2000, MGIC's delegated underwriting program involved approximately 580 lenders, including all of MGIC's top twenty customers. Loans insured under MGIC's delegated underwriting program accounted for approximately 37.4% of MGIC's total risk in force at December 31, 2000. The percentage of new risk written by delegated underwriters increased to 46.8% in 2000 from 38.4% in 1999 (this increase is principally due to loans insured in bulk transactions) and was 36.2% in 1998.

Loans covered under agency pool insurance are not underwritten by MGIC on a loan-by-loan basis. If the loan has primary insurance provided by MGIC, delegated underwriting is used, and if the loan has primary insurance provided by another mortgage insurer or has no primary insurance, the lender underwrites the loan to standards set forth in the agency pool insurance agreement with the lender.

MGIC also has a reduced document submission program under which it approves a loan for insurance if the borrower satisfies certain minimum criteria for credit scores and debt ratios.

Loans approved by the automated underwriting services of the GSEs are deemed acceptable for MGIC mortgage insurance without MGIC itself underwriting the loan.

Past Industry Losses; Defaults; and Claims

Past Industry Losses. The private mortgage insurance industry experienced substantial unanticipated incurred losses in the mid-to-late 1980s. From the 1970s until 1981, rising home prices in the United States generally led to profitable insurance underwriting results for the industry and caused private mortgage insurers to emphasize market share. To maximize market share, until the mid-1980s, private mortgage insurers employed liberal underwriting practices, and charged premium rates which, in retrospect, generally did not adequately reflect the risk assumed (particularly on pool insurance). These industry practices compounded the losses which resulted from changing economic and market conditions which occurred during the early and mid-1980s, including (i) severe regional recessions and attendant declines in property values in the nation's energy producing states; (ii) the development by lenders of new mortgage products to defer the impact on home buyers of double digit mortgage interest rates; and (iii) changes in federal income tax incentives which initially encouraged the growth of investment in non-owner occupied properties.

Defaults. The claim cycle on private mortgage insurance begins with the insurer's receipt of notification of a default on an insured loan from the lender. Lenders are required to notify MGIC of defaults within 130 days after the initial default, although most lenders do so earlier. The incidence of default is affected by a variety of factors, including the level of borrower income growth, unemployment, divorce and illness, the level of interest rates and general borrower creditworthiness. Defaults that are not cured result in a claim to MGIC. Defaults may be cured by the borrower bringing current the delinquent loan payments or by a sale of the property and the satisfaction of all amounts due under the mortgage.

The following table shows the number of primary and pool loans insured in the MGIC Book, including for new insurance written in 2000 and 1999 on loans classified by MGIC as subprime loans, the related number of loans in default and the percentage of loans in default (default rate) as of the dates indicated:

Default Statistics for the MGIC Book

	December 31,				
	2000	1999	19981)	1997(1)	1996(1)
PRIMARY INSURANCE					
Insured loans in force ...	1,448,348	1,370,020	1,320,994	1,342,976	1,299,038
Loans in default	37,422	29,761	29,253	28,493	25,034
Percentage of loans in default (default rate)	2.58%	2.17%	2.21%	2.12%	1.93%
Loans in default excluding subprime loans............	29,226	27,055	-	-	-
Percentage of loans in default excluding subprime loans. .	2.16%	2.03%	-	-	-
Subprime loans in force...	94,682	36,599	-	-	-
Subprime loans in default.	8,196	2,706	-	-	-
Subprime percentage of loans in default (default rate)....	8.66%	7.39%	-	-	-
POOL INSURANCE					
Insured loans in force ...	1,360,059	1,181,512	899,063	374,378	19,123
Loans in default	18,209	11,638	6,524	2,174	855
Percentage of loans in default (default rate)	1.34%	0.99%	0.73%	0.58%	4.47%

(1)Information relating to defaults excluding subprime loans and to subprime defaults in 1996--1998 is not presented and is not material.

The default rate for primary loans excluding subprime loans has generally increased due to an increase in the risk profile of loans insured in late 1994 and the first half of 1995 and the continued maturation of MGIC's insurance in force. The default rate for subprime loans reflects the higher default rate associated with such loans. The number of pool insurance loans in force increased at December 31, 1997-2000 as a result of agency pool insurance writings, and the number of pool insurance loans in default at those dates increased due to the increase in pool insurance in force and the aging of the loans in the pools. The percentage of pool insurance loans in default decreased from 1996 to 1997 as a result of the increase in pool insurance in force and increased from 1997 to 2000 due to the aging of the loans in the pools.

Regions of the United States may experience different default rates due to varying localized economic conditions from year to year. The following table shows the percentage of the MGIC Book's primary loans in default by MGIC region at the dates indicated:

Default Rates for Primary Insurance By Region*

	Dec. 31 2000	Dec. 31 1999	Dec. 31 1998
MGIC REGION:			
New England.............	1.84%	1.60%	1.78%
Northeast...............	3.15	3.02	3.05
Mid-Atlantic............	2.69	2.19	2.28
Southeast...............	2.72	2.24	2.23
Great Lakes.............	2.68	2.09	1.89
North Central...........	2.22	1.85	1.91
South Central...........	2.56	2.00	2.00
Plains..................	1.98	1.40	1.40
Pacific.................	2.63	2.42	2.73
National.............	2.58%	2.17	2.21%

* The default rate is affected by both the number of loans in default at any given date as well as the number of insured loans in force at such date.

Claims. Claims result from defaults which are not cured. Whether a claim results from an uncured default principally depends on the borrower's equity in the home at the time of default and the borrower's (or the lender's) ability to sell the home for an amount sufficient to satisfy all amounts due under the mortgage. Claims are affected by various factors, including local housing prices and employment levels, and interest rates.

Under the terms of the Master Policy, the lender is required to file a claim for primary insurance with MGIC within 60 days after it has acquired good and marketable title to the underlying property through foreclosure. Depending on the applicable state foreclosure law, an average of about 12 months transpires from the date of default to payment of a claim on an uncured default. The claim amount generally averages about 115% of the unpaid principal amount of the loan.

Within 60 days after the claim has been filed, MGIC has the option of either (i) paying the coverage percentage specified for that loan, with the insured retaining title to the underlying property and receiving all proceeds from the eventual sale of the property or (ii) paying 100% of the claim amount in exchange for the lender's conveyance of good and marketable title to the property to MGIC, with MGIC then selling the property for its own account.

Claim activity is not evenly spread throughout the coverage period of a book of primary business. For prime loans, relatively few claims are received during the first two years following issuance of coverage on a loan. This is followed by a period of rising claims which, based on industry experience, has historically reached its highest level in the third through fifth years after the year of loan origination. Thereafter, the number of claims received has historically declined at a gradual rate, although the rate of decline can be affected by conditions in the economy, including lower housing price appreciation. There can be no assurance that this historical pattern of claims will continue in the future and MGIC expects that the peak claim period for subprime loans will occur earlier than for prime loans. Moreover, when a loan is refinanced, because the new loan replaces, and is a continuation of, an earlier loan, the pattern of claims frequency for that new loan may be different from the historical pattern of other loans. As of December 31, 2000, 66.8% of the MGIC Book primary insurance in force had been written during 1998, 1999 and 2000, although a portion of such insurance arose from the refinancing of earlier originations.

In addition to the increasing level of claim activity arising from the maturing of the MGIC Book, another important factor affecting MGIC Book losses is the amount of the average claim paid, which is generally referred to as claim severity. The main determinants of claim severity are the amount of the mortgage loan and coverage percentage on the loan. The average claim severity on the MGIC Book primary insurance was $18,977 for 2000 as compared to $19,444 in 1999, reflecting the decline in the number of claims paid from certain high cost regions of the country.

Loss Reserves

A significant period of time may elapse between the occurrence of the borrower's default on a mortgage payment (the event triggering a potential future claim payment by MGIC), the reporting of such default to MGIC and the eventual payment of the claim related to such uncured default. To recognize the liability for unpaid losses related to outstanding reported defaults (known as the default inventory), the Company (similar to other private mortgage insurers) establishes loss reserves, representing the estimated percentage of defaults which will ultimately result in a claim (known as the claim rate), and estimates of the severity of each claim which will arise from the defaults included in the default inventory. In accordance with industry accounting practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default.

The Company also establishes reserves to provide for the estimated costs of settling claims, including legal and other fees, and general expenses of administering the claims settlement process ("loss adjustment expenses"), and for losses and loss adjustment expenses from defaults which have occurred, but which have not yet been reported to the insurer.

The Company's reserving process is based upon the assumption that past experience, adjusted for the anticipated effect of current economic conditions and projected future economic trends, provides a reasonable basis for estimating future events. However, estimation of loss reserves is a difficult process. Economic conditions that have affected the development of the loss reserves in the past may not necessarily affect development patterns in the future, in either a similar manner or degree.

For a further information about loss reserves, see Note 6 to the consolidated financial statements of the Company, included in Exhibit 13 to this Annual Report on Form 10-K.

Geographic Dispersion

The following table reflects the percentage of primary risk in force in the top 10 states and top 10 metropolitan statistical areas ("MSAs") for the MGIC Book at December 31, 2000:

Dispersion of Primary Risk in Force

	Top 10 States			Top 10 MSAs	
1.	California	11.2%	1.	Chicago	4.2%
2.	Texas	6.3	2.	Los Angeles	3.0
3.	Florida	5.7	3.	Washington, DC	2.7
4.	Michigan	5.6	4.	Boston	2.6
5.	Illinois	5.5	5.	Atlanta	2.6
6.	Ohio	4.5	6.	Detroit	2.3
7.	New York	4.4	7.	Philadelphia	2.0
8.	Pennsylvania	4.1	8.	Phoenix	1.8
9.	Georgia	3.3	9.	Houston	1.7
10.	Wisconsin	3.1	10.	New York	1.6
	Total	53.7%		Total	24.5%

The percentages shown above for various MSAs can be affected by changes, from time to time, in the federal government's definition of an MSA.

Insurance in Force by Policy Year

The following table sets forth the dispersion of MGIC's primary insurance in force as of December 31, 2000, by year(s) of policy origination since MGIC began operations in 1985:

Primary Insurance In Force by Policy Year

Policy Year	Primary Insurance in Force	Percent of Total
	(In millions of dollars)	
1985-1994	$ 22,316	13.9%
1995	7,319	4.6
1996	9,636	6.0
1997	13,864	8.7
1998	32,411	20.2
1999	37,254	23.3
2000	37,392	23.3
Total	$160,192	100.0%

Product Characteristics of Risk in Force

At December 31, 2000 and 1999, 95.9% and 95.8%, respectively, of MGIC's risk in force was primary insurance and the remaining risk in force was pool insurance. The following table reflects at the dates indicated the (i) total dollar amount of primary risk in force for the MGIC Book and (ii) percentage of such primary risk in force (as determined on the basis of information available on the date of mortgage origination) by the categories indicated.

Characteristics of Primary Risk in Force

	December 31, 2000	December 31, 1999
Direct Risk in Force (Dollars in Millions):	$39,090	$35,623
Lender Concentration:		
Top 10 lenders	28.8%	28.4%
Top 20 lenders	40.6%	39.7%
LTV: (1)		
100s(2)	5.6%	4.5%
95s	44.7	45.3
90s(3)	47.0	49.8
80s	2.7	0.4
Total	100.0%	100.0%
Loan Type:		
Fixed(4)	87.7%	89.8%
ARM(5)	11.1	8.6
Balloon(6)	1.2	1.5
Other	0.0	0.1
Total	100.0%	100.0%
Original Insured Loan Amount(7):		
Conforming loan limit and below	90.8%	91.4%
Non-conforming	9.2	8.6
Total	100.0%	100.0%
Mortgage Term:		
15-years and under	3.6%	4.6%
Over 15 years	96.4	95.4
Total	100.0%	100.0%
Property Type:		
Single-family(8)	93.9%	94.0%
Condominium	5.8	5.7
Other(9)	0.3	0.3
Total	100.0%	100.0%
Occupancy Status:		
Primary residence	97.1%	97.7%
Second home	1.5	1.4
Non-owner occupied	1.4	0.9
Total	100.0%	100.0%

- --------------------

(1) Loan-to-value represents the ratio (expressed as a percentage) of the dollar amount of the mortgage loan to the value of the property at the time the loan became insured. For purposes of the table, LTV ratios are classified as in excess of 95% ("100s"); in excess of 90% LTV and up to 95% LTV ("95s"); in excess of 80% LTV and up to 90% LTV ("90s"); and equal to or less than 80% LTV ("80s").

(2) Includes 97% to 100% LTV loans for year 2000. In 1999, the maximum LTV insured by MGIC was 97%.

(3) MGIC includes in its classification of 90s, loans where the borrower makes a down payment of 10% and finances the associated mortgage insurance premium payment as part of the mortgage loan. At December 31, 2000 and 1999, 2.7% and 2.9%, respectively, of the primary risk in force consisted of these types of loans.

(4) Includes fixed rate mortgages with temporary buydowns (where in effect, the applicable interest rate is typically reduced by one or two percentage points during the first two years of the loan) and adjustable rate mortgages in which the initial interest rate is fixed for at least five years.

(5) Includes ARMs where payments adjust fully with interest rate adjustments. Also includes ARMs with negative amortization, which at December 31, 2000 and 1999, represented 1.2% and 1.1%, respectively, of primary risk in force. Does not include ARMs in which the initial interest rate is fixed for at least five years. As of December 31, 2000 and 1999, ARMs with LTVs in excess of 90% represented 3.2% and 7.0%, respectively, of primary risk in force.

(6) Balloon payment mortgages are loans with a maturity, typically five to seven years, that is shorter than the loans' amortization period.

(7) Loans within the conforming loan limit have an original principal balance that does not exceed the maximum original principal balance of loans that the GSEs are eligible to purchase. The conforming loan limit is subject to annual upward adjustment and was $252,700 for 2000 and $240,000 for 1999. Non-conforming loans are loans with an original principal balance above the conforming loan limit.

(8) Includes townhouse-style attached housing with fee simple ownership.

(9) Includes cooperatives and manufactured homes deemed to be real estate.

C. Other Business

The Company, through subsidiaries, provides various mortgage services for the mortgage finance industry, such as contract underwriting, portfolio retention and secondary marketing of mortgage-related assets. At December 31, 2000, the Company also owned approximately 46% of Credit-Based Asset Servicing and Securitization LLC ("C-BASS") and approximately 46% of Sherman Financial Group LLC, joint ventures with senior management of the joint ventures and Enhance Financial Services Group Inc. (which was acquired in February 2001 by Radian Guaranty Inc., the parent of a competitor of MGIC), and approximately 46% of Customers Forever LLC, a joint venture with senior management of the joint venture and Marshall & Ilsley Corporation. For further information about these joint ventures, see "Management's Discussion and Analysis--Results of Consolidated Operations--2000 Compared to 1999" and Note 8 to the consolidated financial statements of the Company, both of which are included in Exhibit 13 to this Annual Report on Form 10-K. The revenues recognized from these mortgage services operations, other non-insurance services and the joint ventures represented 3.6% and 4.8% of the Company's consolidated revenues in both 2000 and 1999, respectively.

The Company's eMagic.com, LLC subsidiary, launched in January 2000, provides an Internet portal through which mortgage originators can access products and services of wholesalers, investors, and vendors necessary to make a home mortgage loan.

In 1997, the Company, through subsidiaries, began insuring second mortgages, including home equity loans. New insurance written on second mortgages in both 1999 and 2000 was approximately $1.1 billion and was immaterial in 1998.

D. Investment Portfolio

Policy and Strategy

Cash flow from the Company's investment portfolio represented approximately 36% of its total cash flow from operations during 2000. Approximately 79% of the Company's long-term investment portfolio is managed by a subsidiary of The Northwestern Mutual Life Insurance Company, although the Company maintains overall control of investment policy and strategy. The Company maintains direct management of the remainder of its investment portfolio.

The Company's current policies emphasize preservation of capital, as well as total return. Therefore, the Company's investment portfolio consists almost entirely of high-quality, fixed-income investments. Liquidity is sought through diversification and investment in publicly traded securities. The Company attempts to maintain a level of liquidity commensurate with its perceived business outlook and the expected timing, direction and degree of changes in interest rates. The Company's investment policies in effect at December 31, 2000 limited investments in the securities of a single issuer (other than the U.S. government and its agencies) and generally did not permit purchasing fixed income securities rated below "A."

At December 31, 2000, based on amortized cost, approximately 98.4% of the Company's total fixed income investment portfolio was invested in securities rated "A" or better, with 66.5% which were rated "AAA" and 23.0% which were rated "AA," in each case by at least one nationally recognized securities rating organization.

The Company's investment policies and strategies are subject to change depending upon regulatory, economic and market conditions and the existing or anticipated financial condition and operating requirements, including the tax position, of the Company.

Investment Operations

At December 31, 2000, the consolidated book value (which is equal to market value) of the Company's investment portfolio was approximately $3.5 billion. At December 31, 2000, municipal securities represented 71.7% of the market value of the total investment portfolio. Securities due within one year, within one to five years, within five to ten years, and after ten years, represented 5.2%, 19.1%, 26.7% and 49.0%, respectively, of the total book value of the Company's investment in debt securities. The Company's net pre-tax investment income was $178.5 million for the year ended December 31, 2000. At December 31, 2000, the Company's after-tax yield of 4.9% for the year which was comparable to 1999.

For further information concerning investment operations, see Note 4 to the consolidated financial statements of the Company, included in Exhibit 13 to this Annual Report on Form 10-K.

E. Regulation

Direct Regulation

The Company and its insurance subsidiaries, including MGIC, are subject to regulation, principally for the protection of policyholders, by the insurance departments of the various states in which each is licensed to do business. The nature and extent of such regulation varies, but generally depends on statutes which delegate regulatory, supervisory and administrative powers to state insurance commissioners.

In general, such regulation relates, among other things, to licenses to transact business; policy forms; premium rates; annual and other reports on financial condition; the basis upon which assets and liabilities must be stated; requirements regarding contingency reserves equal to 50% of premiums earned; minimum capital levels and adequacy ratios; reinsurance requirements; limitations on the types of investment instruments which may be held in an investment portfolio; the size of risks and limits on coverage of individual risks which may be insured; deposits of securities; limits on dividends payable; and claims handling. Most states also regulate transactions between insurance companies and their parents or affiliates and have restrictions on transactions that have the effect of inducing lenders to place business with the insurer. For a discussion of a February 1, 1999 circular letter from the NYID and a January 31, 2000 letter from the Illinois Department of Insurance, see "The MGIC Book--Types of Product--Pool Insurance" and "--Captive Mortgage Reinsurance." For a description of limits on dividends payable, see Note 11 to the consolidated financial statements of the Company included in Exhibit 13 to this Annual Report on Form 10-K.

Mortgage insurance premium rates are also subject to state regulation to protect policyholders against the adverse effects of excessive, inadequate or unfairly discriminatory rates and to encourage competition in the insurance marketplace. Any increase in premium rates must be justified, generally on the basis of the insurer's loss experience, expenses and future trend analysis. The general mortgage default experience may also be considered. Premium rates are subject to review and challenge by state regulators.

A number of states generally limit the amount of insurance risk which may be written by a private mortgage insurer to 25 times the insurer's total policyholders' reserves, commonly known as the "risk-to-capital" requirement.

MGIC is required to contribute to a contingency loss reserve an amount equal to 50% of earned premiums. Such amounts cannot be withdrawn for a period of 10 years, except under certain circumstances.

Mortgage insurers are generally single-line companies, restricted to writing residential mortgage insurance business only. Although the Company, as an insurance holding company, is prohibited from engaging in certain transactions with MGIC without submission to and, in some instances, prior approval of applicable insurance departments, the Company is not subject to insurance company regulation on its non-insurance businesses.

As the most significant purchasers and sellers of conventional mortgage loans and beneficiaries of private mortgage insurance, Freddie Mac and Fannie Mae impose requirements on private mortgage insurers in order for such insurers to be eligible to insure loans sold to such agencies. These requirements of Freddie Mac and Fannie Mae are subject to change from time to time. Currently, MGIC is an approved mortgage insurer for both Freddie Mac and Fannie Mae. In addition, to the extent Fannie Mae or Freddie Mac assumes default risk for itself that would otherwise be insured, changes current guarantee fee arrangements (including as a result of primary mortgage insurance coverage being restructured as described under "The MGIC Book--Types of Product--Primary Insurance"), allows alternative credit enhancement, alters or liberalizes underwriting guidelines on low down payment mortgages they purchase, or otherwise changes its business practices or processes with respect to such mortgages, private mortgage insurers may be affected.

Fannie Mae has issued primary mortgage insurance master policy guidelines applicable to MGIC and all other Fannie Mae-approved private mortgage insurers, establishing certain minimum terms of coverage necessary in order for an insurer to be eligible to insure loans purchased by Fannie Mae. The terms of MGIC's Master Policy comply with these guidelines.

MGIC's claims-paying ability is rated "AA+" by Standard & Poor's Corporation and "Aa2" by Moody's Investors Service, Inc. Maintenance of a claims-paying ability rating of at least AA-/Aa3 is critical to a mortgage insurer's ability to continue to write new business. In assigning claims-paying ability ratings, rating agencies review a mortgage insurer's competitive position and business, management, corporate strategy, historical and projected operating and underwriting performance, adequacy of capital to withstand extreme loss scenarios under assumptions determined by the rating agency, as well as other factors. The rating agency issuing the claims-paying ability rating can withdraw or change its rating at any time.

Indirect Regulation

The Company and MGIC are also indirectly, but significantly, impacted by regulations affecting purchasers of mortgage loans, such as Freddie Mac and Fannie Mae, and regulations affecting governmental insurers, such as the FHA and VA, and lenders. Private mortgage insurers, including MGIC, are highly dependent upon federal housing legislation and other laws and regulations to the extent they affect the demand for private mortgage insurance and the housing market generally. From time to time, those laws and regulations have been amended to affect competition from government agencies. See "The MGIC Book - Sales and Marketing and Competition - Competition." Proposals are discussed from time to time by Congress and certain federal agencies to reform or modify the FHA and the Government National Mortgage Association, which securitizes mortgages insured by the FHA.

Subject to certain exceptions, in general, RESPA prohibits any person from giving or receiving any "thing of value" pursuant to an agreement or understanding to refer settlement services. See "Item 3--Legal Proceedings."

The OTS, the OCC, the Federal Reserve Board, and the Federal Deposit Insurance Corporation have uniform guidelines on real estate lending by insured lending institutions under their supervision. The guidelines specify that a residential mortgage loan originated with an LTV of 90% or greater should have appropriate credit enhancement in the form of mortgage insurance or readily marketable collateral, although no depth of coverage percentage is specified in the guidelines.

Lenders are subject to various laws, including the Home Mortgage Disclosure Act, the Community Reinvestment Act and the Fair Housing Act, and Fannie Mae and Freddie Mac are subject to various laws, including laws relating to government sponsored enterprises, which may impose obligations or create incentives for increased lending to low and moderate income persons, or in targeted areas.

There can be no assurance that other federal laws and regulations affecting such institutions and entities will not change, or that new legislation or regulations will not be adopted which will adversely affect the private mortgage insurance industry.

F. Employees

At December 31, 2000, the Company had 1,093 full- and part-time employees, of whom approximately 58% were assigned to its Milwaukee headquarters and 42% to its field offices. The number of employees given above does not include "on-call" employees. The number of "on-call" employees can vary substantially, primarily as a result of changes in demand for contract underwriting services.

Item 2. Properties.

At December 31, 2000, the Company leased office space in various cities throughout the United States under leases expiring between 2001 and 2006 and which required annual rentals of $2.7 million in 2000.

The Company owns its headquarters facility and an additional office/warehouse facility, both located in Milwaukee, Wisconsin, which contain an aggregate of approximately 310,000 square feet of space.

Item 3. Legal Proceedings.

The Company is involved in litigation in the ordinary course of business. No pending litigation is expected to have a material adverse affect on the financial position of the Company.

In addition, on December 15, 2000, MGIC entered into an agreement to settle Downey et. al. v. MGIC, filed in May 2000 following the dismissal of a similar case filed in December, 1999, which is pending in Federal District Court for the Southern District of Georgia. The Court has preliminarily approved the settlement agreement, certified a nationwide class of borrowers and scheduled a hearing for June 15, 2001 to consider whether it should enter a final order approving the settlement. The Company has recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. The settlement includes an injunction that prohibits certain practices and specifies the basis on which agency pool insurance, captive mortgage reinsurance, contract underwriting and other products may be provided in compliance with RESPA.

The complaint in the case alleges that MGIC violated RESPA by providing agency pool insurance, captive mortgage reinsurance, contract underwriting and other products that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid at the time of judgment for the mortgage insurance found to be involved in a violation of RESPA. The complaint also seeks injunctive relief, including prohibiting MGIC from receiving future premium payments. If the Court does not enter a final order approving the settlement, the litigation will continue. In these circumstances, there can be no assurance that the ultimate outcome of the litigation will not materially affect the Company's financial position or results of operations.

In February, 2001, a complaint entitled Moore v. Radian Group, Inc. et al. which seeks class action certification on behalf of a nationwide class of home mortgage borrowers, was filed in Federal District Court for the Eastern District of Texas against Radian Guaranty, Inc., Norwest Financial Services, Inc., their respective corporate parents, John Doe Lenders I-X and John Doe PMI Carriers I-X. The complaint alleges that the named and unnamed defendants violated RESPA by providing agency pool insurance that was not properly priced in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the charge paid by the class members for their mortgage insurance settlement services and also seeks injunctive relief, including prohibiting the defendants from receiving further premium payments. The Company has not been served with the complaint in this action nor has it been named as a defendant.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Executive Officers

Certain information with respect to the Company's executive officers as of March 1, 2001 is set forth below:

Name and Age	Title
Curt S. Culver, 48	President and Chief Executive Officer of the Company and MGIC; Director of the Company and MGIC
J. Michael Lauer, 56	Executive Vice President and Chief Financial Officer of the Company and MGIC
James S. MacLeod, 53	Executive Vice President--Field Operations of MGIC
Lawrence J. Pierzchalski, 48	Executive Vice President--Risk Management of MGIC
Lou T. Zellner, 50	Executive Vice President--Corporate Development of MGIC
Jeffrey H. Lane, 51	Senior Vice President, General Counsel and Secretary of the Company and MGIC

Mr. Culver has served as President of the Company since January 1999 and as Chief Executive Officer since January 2000. He has been President of MGIC since May 1996 and was Chief Operating Officer of MGIC from May 1996 until he became Chief Executive Officer in January 1999. Mr. Culver has been a senior officer of MGIC since 1988 having responsibility at various times during his career with MGIC for field operations, marketing and corporate development. From March 1985 to 1988, he held various management positions with MGIC in the areas of marketing and sales.

Mr. Lauer has served as Executive Vice President and Chief Financial Officer of the Company and MGIC since March 1989.

Mr. MacLeod has served as Executive Vice President-Field Operations of MGIC since January 1998 and was Senior Vice President-Field Operations of MGIC from May 1996 to January

1998. Mr. MacLeod has been a senior officer of MGIC since 1987 having responsibility at various times during his career with MGIC for sales, business development and marketing. From March 1985 to 1987, he held various management positions with MGIC in the areas of underwriting and risk management .

Mr. Pierzchalski has served as Executive Vice President-Risk Management of MGIC since May 1996 and prior thereto as Senior Vice President-Risk Management or Vice President-Risk Management of MGIC from April 1990. From March 1985 to April 1990, he held various management positions with MGIC in the areas of market research, corporate planning and risk management.

Mrs. Zellner has served as Executive Vice President-Corporate Development of MGIC since January 1999. Prior thereto, she was a senior officer of MGIC since 1986 having responsibility at various times during her career with MGIC for corporate development, non-insurance operations, claims and reinsurance. From 1983--1986, Mrs. Zellner was Wisconsin Deputy Commissioner of Insurance.

Mr. Lane has served as Senior Vice President, General Counsel and Secretary of the Company and MGIC since August 1996. For more than five years prior to his joining the Company, Mr. Lane was a partner of Foley & Lardner, a law firm headquartered in Milwaukee, Wisconsin.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information set forth under the caption "MGIC Stock" in Exhibit 13 to this Annual Report on Form 10-K is incorporated herein by reference.

Item 6. Selected Financial Data.

The information set forth in the tables under the caption "Five-Year Summary of Financial Information" in Exhibit 13 to this Annual Report on Form 10-K is hereby incorporated by reference in answer to this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information set forth under the caption "Management's Discussion and Analysis" in Exhibit 13 to this Annual Report on Form 10-K is hereby incorporated by reference in answer to this Item.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information set forth in the second paragraph under the caption "Management's Discussion and Analysis - Financial Condition," in the fourth to last paragraph under the caption "Management's Discussion and Analysis - Liquidity and Capital Resources," and in Note 5 of the Notes to the consolidated financial statements, all in Exhibit 13 to this Annual Report on Form 10-K, is hereby incorporated by reference in answer to this Item.

Item 8. Financial Statements and Supplementary Data.

The consolidated statements of operations, of shareholders' equity and of cash flows for each of the years in the three-year period ended December 31, 2000, and the related consolidated balance sheet of the Company as of December 31, 2000 and 1999, together with the related notes thereto and the report of independent accountants, as well as the unaudited quarterly financial data, all set forth in Exhibit 13 to this Annual Report on Form 10-K, are hereby incorporated by reference in answer to this Item.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

This information (other than for executive officers) is included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders, and is hereby incorporated by reference. The information on the executive officers appears at the end of Part I of this Form 10-K.

Item 11. Executive Compensation.

This information is included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders and, other than information covered by Instruction (9) to Item 402 (a) of Regulation S-K of the Securities and Exchange Commission, is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

This information is included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders, and is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

This information is included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders, and is hereby incorporated by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial statements. The financial statements listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Form 10-K.

2. Financial statement schedules. The financial statement schedules listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Form 10-K.

3. Exhibits. The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item and the Exhibits listed in such Index are filed as part of this Form 10-K.

(b) Reports on Form 8-K

Reports on Form 8-K - During the quarter ended December 31, 2000, Current Reports on Form 8-K were filed to report information under Item 5, Other Information, on October 10, 2000, October 18, 2000 and November 20, 2000.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

[Item 14(a) 1 and 2]

Consolidated Financial Statements (all contained in Exhibit 13 to this Annual Report on Form 10-K)

Consolidated statement of operations for each of the three years in the period ended December 31, 2000

Consolidated balance sheet at December 31, 2000 and 1999

Consolidated statement of shareholders' equity for each of the three years in the period ended December 31, 2000

Consolidated statement of cash flows for each of the three years in the period ended December 31, 2000

Notes to consolidated financial statements

Report of independent accountants

Financial Statement Schedules (all contained immediately following the signature page to this Annual Report on Form 10-K)

Report of independent accountants on financial statement schedules

Schedules at and for the specified years in the three-year period ended December 31, 2000:

Schedule I -- Summary of investments, other than investments in related parties

Schedule II -- Condensed financial information of Registrant

Schedule IV -- Reinsurance

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the consolidated financial statements and notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 29, 2001.

MGIC INVESTMENT CORPORATION

By /s/ Curt S. Culver

Curt S. Culver
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of the date set forth above by the following persons on behalf of the registrant and in the capacities indicated.

Name and Title

/s/ Curt S. Culver

Curt S. Culver
President, Chief Executive Officer and Director

/s/ J. Michael Lauer

J. Michael Lauer
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

/s/ Patrick Sinks

Patrick Sinks
Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)

/s/ James A. Abbott

James A. Abbott, Director

/s/ Mary K. Bush

Mary K. Bush, Director

/s/ Karl E. Case

Karl E. Case, Director

/s/ David S. Engelman

David S. Engelman, Director

/s/ James D. Ericson

James D. Ericson, Director

/s/ Kenneth M. Jastrow, II

Kenneth M. Jastrow, II, Director

/s/ Daniel P. Kearney

Daniel P. Kearney, Director

/s/ Sheldon B. Lubar

Sheldon B. Lubar, Director

/s/ William A. McIntosh

William A. McIntosh, Director

/s/ Leslie M. Muma

Leslie M. Muma, Director

/s/ Edward J. Zore

Edward J. Zore, Director

Report of Independent Accountants on Financial Statement Schedules

To the Board of Directors
of MGIC Investment Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 9, 2001 appearing in the 2000 Annual Report to Shareholders of MGIC Investment Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 14(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICEWATERHOUSECOOPERS LLP

Milwaukee, Wisconsin
January 9, 2001

MGIC INVESTMENT CORPORATION

SCHEDULE I - SUMMARY OF INVESTMENTS -
OTHER THAN INVESTMENTS IN RELATED PARTIES

December 31, 2000

Type of Investment	Amortized Cost	Market Value	Amount at which shown in the balance sheet
		(In thousands of dollars)	
Fixed maturities:			
Bonds:			
United States Government and government			
agencies and authorities	$ 220,168	$ 225,609	$ 225,609
States, municipalities and political subdivisions	2,382,766	2,488,316	2,488,316
Foreign governments	13,958	14,586	14,586
Public utilities	51,885	49,893	49,893
All other corporate bonds	513,286	520,157	520,157
Total fixed maturities	3,182,063	3,298,561	3,298,561
Equity securities:			
Common stocks:			
Banks, trust and insurance companies	1,333	2,090	2,090
Industrial, miscellaneous and all other	20,570	19,952	19,952
Total equity securities	21,903	22,042	22,042
Short-term investments	151,592	151,592	151,592
Total investments	$ 3,355,558	$ 3,472,195	$ 3,472,195

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEET
PARENT COMPANY ONLY
December 31, 2000 and 1999

	2000	1999
	(In thousands of dollars)	
ASSETS		
Investment portfolio, at market value:		
Fixed maturities	$ 1,373	$ 12,729
Short-term investments	8,172	1,663
Total investment portfolio	9,545	14,392
Investment in subsidiaries, at equity in net assets	2,854,667	2,183,599
Income taxes receivable - affiliates	1,167	4,518
Accrued investment income	19	209
Other assets	10,094	958
Total assets	$ 2,875,492	$ 2,203,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Long-term debt	$ 397,364	$ 425,000
Other liabilities	13,246	2,687
Total liabilities	410,610	427,687
Shareholders' equity (note B):		
Common stock, $1 par value, shares authorized 300,000,000; shares issued 121,110,800; outstanding 2000 - 106,825,758; 1999 - 105,798,034	121,111	121,111
Paid-in surplus	207,882	211,593
Treasury stock (shares at cost, 2000 - 14,285,042; 1999 - 15,312,766)	(621,033)	(665,707)
Accumulated other comprehensive income - unrealized appreciation (depreciation) in investment portfolio of subsidiaries, net of tax	75,814	(40,735)
Retained earnings	2,681,108	2,149,727
Total shareholders' equity	2,464,882	1,775,989
Total liabilities and shareholders' equity	$ 2,875,492	$ 2,203,676

See accompanying supplementary notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENT OF OPERATIONS
PARENT COMPANY ONLY
Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
	(In thousands of dollars)		
Revenue:			
Equity in undistributed net income of subsidiaries	$ 550,014	$ 313,292	$ 368,242
Dividends received from subsidiaries	11,091	169,650	28,394
Investment income, net	800	1,362	1,117
Realized investment (losses) gains, net	(659)	(216)	334
Other income	-	-	9
Total revenue	561,246	484,088	398,096
Expenses:			
Operating expenses	735	312	180
Interest expense	28,759	20,402	18,624
Total expenses	29,494	20,714	18,804
Income before tax	531,752	463,374	379,292
Credit for income tax	(10,247)	(6,827)	(6,173)
Net income	541,999	470,201	385,465
Other comprehensive income - unrealized investment gains (losses), net	116,549	(135,307)	10,587
Comprehensive income	$ 658,548	$ 334,894	$ 396,052

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENT OF CASH FLOWS
PARENT COMPANY ONLY
Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
	(In thousands of dollars)		
Cash flows from operating activities:			
Net income	$ 541,999	$ 470,201	$ 385,465
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(550,014)	(313,292)	(368,242)
Decrease (increase) in income taxes receivable	3,351	(4,259)	18,653
Decrease (increase) in accrued investment income	190	(182)	197
Increase (decrease) in other liabilities	10,559	(1,517)	939
(Increase) decrease in other assets	(9,136)	(110)	(839)
Other	29,005	(1,916)	16,633
Net cash provided by operating activities	25,954	148,925	52,806
Cash flows from investing activities:			
Transactions with subsidiaries	(5,050)	67,801	-
Purchase of fixed maturities	(10,500)	(14,448)	(500)
Sale of fixed maturities	21,920	1,843	10,901
Net cash provided by investing activities	6,370	55,196	10,401
Cash flows from financing activities:			
Dividends paid to shareholders	(10,618)	(10,825)	(11,243)
Proceeds from issuance of long-term debt	309,079	43,000	262,000
Repayment of long-term debt	(336,751)	(60,000)	(57,500)
Reissuance of treasury stock	18,699	3,912	6,953
Repurchase of common stock	(6,224)	(200,533)	(246,840)
Net cash used in financing activities	(25,815)	(224,446)	(46,630)
Net increase (decrease) in cash and short-term investments	6,509	(20,325)	16,577
Cash and short-term investments at beginning of year	1,663	21,988	5,411
Cash and short-term investments at end of year	$ 8,172	$ 1,663	$ 21,988

See accompanying notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PARENT COMPANY ONLY

SUPPLEMENTARY NOTES

Note A

The accompanying Parent Company financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements appearing on pages 14 through 29 of the MGIC Investment Corporation 2000 Annual Report to Shareholders.

Note B

The Company's insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. In 2001, MGIC can pay $92.0 million of dividends and the other insurance subsidiaries of the Company can pay $7.1 million of dividends without such regulatory approval.

Certain of the Company's non-insurance subsidiaries also have requirements as to maintenance of net worth. These restrictions could also affect the Company's ability to pay dividends.

In 2000, 1999 and 1998, the Company paid dividends of $10.6 million, $10.8 million and $11.2 million, respectively, or $0.10 per share.

MGIC INVESTMENT CORPORATION

SCHEDULE IV - REINSURANCE

MORTGAGE INSURANCE PREMIUMS EARNED
Years Ended December 31, 2000, 1999 and 1998

	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
			(In thousands of dollars)		
Year ended December 31,					
2000	$ 939,981	$ 50,889	$ 999	$ 890,091	0.1%
1999	$ 819,485	$ 28,346	$ 1,442	$ 792,581	0.2%
1998	$ 770,775	$ 17,161	$ 9,670	$ 763,284	1.3%

INDEX TO EXHIBITS

[Item 14(a)3]

Exhibit Numbers	Description of Exhibits
3.1	Articles of Incorporation, as amended.(1)
3.2	Amended and Restated Bylaws. (2)
4.1	Article 6 of the Articles of Incorporation (included within Exhibit 3.1)
4.2	Amended and Restated Bylaws (included as Exhibit 3.2)
4.3	Rights Agreement, dated as of July 22, 1999, between MGIC Investment Corporation and Firstar Bank Milwaukee, N.A., which includes as Exhibit A thereto the Form of Right Certificate and as Exhibit B thereto the Summary of Rights to Purchase Common shares(3)
4.4	Indenture, dated as of October 15, 2000, between MGIC Investment Corporation and Bank One Trust Company, National Association, as Trustee(4)
4.5	Officer's Certificate, dated as of October 17, 2000, executed and delivered in connection with the issuance and sale of MGIC Investment Corporation's 7-1/2% Senior Notes due 2005(5) [The Company is a party to separate Credit Agreements with different groups of financial institutions. These Credit Agreements are not being filed pursuant to Reg. S-K Item 602(b) (4) (iii) (A). The Company hereby agrees to furnish a copy of such Credit Agreements to the Commission upon its request.]
10.1	Common Stock Purchase Agreement between the Company and The Northwestern Mutual Life Insurance Company ("NML"), dated November 30, 1984(6)

Exhibit Numbers	Description of Exhibits
10.2	Amended and Restated Investment Advisory and Servicing Agreement between the Company and Northwestern Mutual Investment Services, Inc. ("NMIS"), dated December 5, 1997.(7) [Northwestern Mutual Investment Services, LLC has succeeded NMIS as a party to such Agreement.]
10.3	MGIC Investment Corporation 1991 Stock Incentive Plan.(8)
10.4	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan.(9)
10.5	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.(10)
10.6	Executive Bonus Plan
10.7	Supplemental Executive Retirement Plan (11)
10.8	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.(12)
10.9	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(13)
10.10	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(14)
10.11	Form of MGIC Mortgage Guaranty Master Policy, in effect generally for insurance commitments issued beginning March 1, 1995, including the Master Policy Program Endorsement relating to delegated underwriting.(15)
10.12	Form of Key Executive Employment and Severance Agreement.(16)
11	Statement re: computation of per share earnings
13	Information from the 2000 Annual Report of the Company to Shareholders which is incorporated by reference in this Annual Report on Form 10-K.
21	List of Subsidiaries
23	Consent of PricewaterhouseCoopers LLP

Exhibit Numbers	Description of Exhibits
	Supplementary List of the above Exhibits which relate to management contracts or compensatory plans or arrangements.
10.3	MGIC Investment Corporation 1991 Stock Incentive Plan.
10.4	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan.
10.5	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.
10.6	Executive Bonus Plan
10.7	Supplemental Executive Retirement Plan.
10.8	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.
10.9	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.
10.10	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.
10.12	Form of Key Executive Employment and Severance Agreement

The following documents, identified in the footnote references above, are incorporated by reference, as indicated, to: the Company's Annual Reports on Form 10-K for the years ended December 31, 1993, 1994, 1997 or 1999 (the "1993 10-K," "1994 10-K," "1997 10-K," and "1999 10-K," respectively); to the Company's Quarterly Reports on Form 10-Q for the Quarters ended June 30, 1994, 1998 or 2000 (the "June 30, 1994 10-Q," "June 30, 1998 10-Q" and "June 30, 2000 10-Q," respectively); to the Company's registration Statement Form 8-A filed July 27, 1999 (the "8-A"); to the Company's Current Report on form 8-K dated October 17, 2000 (the "8-K"); or to the Company's Form S-1 Registration Statement (No. 33-41289) (the "S-1"). The documents are further identified by cross-reference to the Exhibits in the respective documents where they were originally filed:

(1) Exhibit 3 to the June 30, 1998 10-Q.

(2) Exhibit 3.2 to the 1999 10-K.

(3) Exhibit 4.1 to the 8-A.

(4) Exhibit 4.1 to the 8-K.

(5) Exhibit 4.2 to the 8-K.

(6) Exhibit 10.1 to the S-1.

(7) Exhibit 10.5 to the 1997 10-K.

(8) Exhibit 10.7 to the 1999 10-K.

(9) Exhibit 10.9 to the 19999 10-K.

(10) Exhibit 10.10 to the 1999 10-K.

(11) Exhibit 10 to the June 30, 2000 10-Q.

(12) Exhibit 10.23 to the 1993 10-K.

(13) Exhibit 10.24 to the 1993 10-K.

(14) Exhibits 10.27 and 10.28 to the June 30, 1994 10-Q.

(15) Exhibit 10.26 to the 1994 10-K.

(16) Exhibit 10.17 to the 1999 10-K.

EXECUTIVE BONUS PLAN OF

MGIC INVESTMENT CORPORATION
(the "Company")

The Executive Bonus Plan of the Company in effect for 2001 (which is not contained in a formal plan document), applies to certain officers of the Company, including the executive officers of the Company identified in the Form 10-K for the year ended December 31, 2000. Under the Executive Bonus Plan, if the Company achieves a minimum level of net income for 2001, an executive officer will be eligible for a bonus, depending upon the executive officer's individual performance, of up to 120-200% of such executive officer's base salary, depending on the maximum applicable to the executive officer.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS (1)
For The Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
	(In thousands, except per share data)		
BASIC EARNINGS PER SHARE			
Average common shares outstanding	106,202	108,061	112,135
Net income	$ 541,999	$ 470,201	$ 385,465
Net income per share	$ 5.10	$ 4.35	$ 3.44
DILUTED EARNINGS PER SHARE			
Adjusted shares outstanding:			
Average common shares outstanding	106,202	108,061	112,135
Net shares to be issued upon exercise of common stock equivalents	1,058	1,197	1,447
Adjusted shares outstanding	107,260	109,258	113,582
Net income	$ 541,999	$ 470,201	$ 385,465
Net income per share	$ 5.05	$ 4.30	$ 3.39

(1) Per Statement of Financial Accounting Standards No. 128, "Earnings Per Share".

Five-Year Summary of Financial Information

	2000	1999	1998	1997	1996
	(In thousands of dollars, except per share data)				
Summary of Operations					
Revenues:					
Net premiums written	$ 887,388	$ 792,345	$ 749,161	$ 690,248	$ 588,927
Net premiums earned	$ 890,091	$ 792,581	$ 763,284	$ 708,744	$ 617,043
Investment income, net	178,535	153,071	143,019	123,602	105,355
Realized investment gains, net	1,432	3,406	18,288	3,261	1,220
Other revenue	40,283	47,697	47,075	32,665	22,013
Total revenues	1,110,341	996,755	971,666	868,272	745,631
Losses and expenses:					
Losses incurred, net	91,723	97,196	211,354	242,362	234,350
Underwriting and other expenses	177,837	198,147	187,103	154,138	142,460
Interest expense	28,759	20,402	18,624	6,399	3,793
Litigation settlement	23,221	-	-	-	-
Total losses and expenses	321,540	315,745	417,081	402,899	380,603
Income before tax	788,801	681,010	554,585	465,373	365,028
Provision for income tax	246,802	210,809	169,120	141,623	107,037
Net income	$ 541,999	$ 470,201	$ 385,465	$ 323,750	$ 257,991
Weighted average common shares outstanding (in thousands) (1)	107,260	109,258	113,582	117,924	119,046
Diluted earnings per share (1)	$ 5.05	$ 4.30	$ 3.39	$ 2.75	$ 2.17
Dividends per share (1)	$ .10	$ .10	$ .10	$ .095	$ .08
Balance sheet data					
Total investments	$ 3,472,195	$ 2,789,734	$ 2,779,706	$ 2,416,740	$ 2,036,234
Total assets	3,857,781	3,104,393	3,050,541	2,617,687	2,222,315
Loss reserves	609,546	641,978	681,274	598,683	514,042
Long-term debt	397,364	425,000	442,000	237,500	-
Shareholders' equity	2,464,882	1,775,989	1,640,591	1,486,782	1,366,115
Book value per share	23.07	16.79	15.05	13.07	11.59

(1) In May 1997, the Company declared a two-for-one stock split of the common stock in the form of a 100% stock dividend. The additional shares were issued on June 2, 1997. Prior year shares, dividends per share and earnings per share have been restated to reflect the split.

A brief description of the Company's business is contained in Note 1 to the Consolidated Financial Statements of the Company, page eighteen.

Five-Year Summary of Financial Information

	2000	1999	1998	1997	1996
New primary insurance written ($ millions)	$ 41,546	$ 46,953	$ 43,697	$ 32,250	$ 32,756
New primary risk written ($ millions)	10,353	11,422	10,850	8,305	8,305
New pool risk written ($ millions)	345	564	618	394	2
Insurance in force (at year-end) ($ millions)					
Direct primary insurance	160,192	147,607	137,990	138,497	131,397
Direct primary risk	39,090	35,623	32,891	32,175	29,308
Direct pool risk	1,676	1,557	1,133	590	232
Primary loans in default ratios					
Policies in force	1,448,348	1,370,020	1,320,994	1,342,976	1,299,038

Loans in default	37,422	29,761	29,253	28,493	25,034
Percentage of loans in default	2.58%	2.17%	2.21%	2.12%	1.93%
Insurance operating ratios (GAAP)					
Loss ratio	10.3%	12.3%	27.7%	34.2%	38.0%
Expense ratio	16.4%	19.7%	19.6%	18.4%	21.6%
Combined ratio	26.7%	32.0%	47.3%	52.6%	59.6%
Risk-to-capital ratio (statutory)					
MGIC	10.6:1	11.9:1	12.9:1	15.7:1	18.1:1

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two

Results of Consolidated Operations
2000 Compared with 1999

Net income for 2000 was $542.0 million, compared with $470.2 million in 1999, an increase of 15%. Diluted earnings per share was $5.05 for 2000 compared with $4.30 in 1999. Included in diluted earnings per share for 2000 were a $0.14 charge for the litigation settlement agreement referred to below and $0.01 for realized gains. The 1999 earnings per share included $0.02 for realized gains and $0.10 for loss reserve reductions made in the fourth quarter of 1999. Excluding the aforementioned amounts, earnings per share was $5.18 for 2000, compared to $4.18 for 1999, an increase of 24%.

Total revenues for 2000 were $1,110.3 million, an increase of 11% from the $996.8 million for 1999. This increase was primarily attributed to an improvement in persistency, which generated an increase in renewal premiums. Also contributing to the increase in revenues was an increase in investment income resulting from strong cash flows. See below for a further discussion of premiums and investment income.

Losses and expenses for 2000 were $321.5 million, an increase of 2% from $315.7 million for the same period of 1999. The increase was primarily attributed to the litigation settlement, offset by a decline in underwriting expenses resulting from a decline in contract underwriting activity and an increase in deferred insurance policy acquisition costs. See below for a further discussion of losses incurred and underwriting expenses and the litigation settlement.

The amount of new primary insurance written by Mortgage Guaranty Insurance Corporation ("MGIC") during 2000 was $41.5 billion, compared with $47.0 billion in 1999. Refinancing activity decreased to 13% of new primary insurance written in 2000, compared to 25% in 1999 as a result of the increasing mortgage interest rate environment of the second half of 1999 and in 2000.

The $41.5 billion of new primary insurance written during 2000 was offset by the cancellation of $28.9 billion of insurance in force, and resulted in a net increase of $12.6 billion in primary insurance in force, compared to new primary insurance written of $47.0 billion, cancellation of $37.4 billion, and a net increase of $9.6 billion in insurance in force during 1999. Direct primary insurance in force was $160.2 billion at December 31, 2000, compared to $147.6 billion at December 31, 1999.

In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during 2000 and 1999, which was virtually all agency pool insurance, was $345.5 million and $563.8 million, respectively. The Company's direct pool risk in force at December 31, 2000 was $1.7 billion compared to $1.6 billion at December 31, 1999.

Cancellation activity has historically been affected by the level of mortgage interest rates, with cancellations generally moving inversely to the change in the direction of interest rates. Cancellations decreased during 2000 due to increasing mortgage interest rates which resulted in an increase in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 80.4% at December 31, 2000, from 72.9% at December 31, 1999. Future cancellation activity could also be somewhat higher than it otherwise would have been as a result of legislation that went into effect in July 1999 regarding cancellation of mortgage insurance. Cancellation activity could also increase as more of the Company's insurance in force is represented by subprime loans, which the Company anticipates will have materially lower persistency than the Company's prime business. In general, subprime loans are mortgages that would not meet the standard underwriting guidelines of Fannie Mae and Freddie Mac for prime mortgages due to credit quality, documentation, or other factors, such as in a refinance transaction exceeding a specified increase in the amount of mortgage debt due to cash being paid to the borrower.

Principally as a result of changes in coverage requirements by Fannie Mae and Freddie Mac (described under "Other Matters" below), new insurance written for mortgages with reduced coverage (coverage of 17% for 90s and coverage of 25% for 95s) increased to 14% of new insurance written in 2000 compared to 8% a year ago. New insurance written for mortgages with deep coverage (coverage of 25% for 90s and coverage of 30% for 95s) declined to 62% of new insurance written in 2000 compared to 67% a year ago. 90s are mortgages with LTV ratios above 85% but not above 90%, and 95s are mortgages with LTV ratios above 90% but not above 95%.

New insurance written for subprime mortgages was 19% of new insurance written during 2000 compared to 7% for 1999. The Company expects that subprime loans will have delinquency and default rates in excess of those on the Company's prime business. While the Company believes it has priced its subprime business to generate acceptable returns, there can be no assurance that the assumptions underlying the premium rates adequately address the risk of this business.

Net premiums written increased 12% to $887.4 million in 2000, from $792.3 million in 1999. Net premiums earned increased 12% to $890.1 million in 2000, from $792.6 million in 1999. The increases were primarily a result of a higher percentage of renewal premiums on products with higher premium rates and the growth in insurance in force offset by an increase in ceded premiums to $52.9 million in 2000, compared to $26.2 million in 1999, primarily due to an increase in captive mortgage reinsurance and similar arrangements.

Mortgages (newly insured during 2000 or 1999) equal to approximately 33% of MGIC's new insurance written during 2000 were subject to captive mortgage reinsurance and similar arrangements compared to 32% during 1999. Such arrangements entered into during a reporting period customarily include loans newly insured in a prior reporting period. As a result, the percentages cited above would be lower if only the current reporting period's newly insured mortgages subject to such arrangements were included. At December 31, 2000 approximately 21% of MGIC's risk in force was subject to captive reinsurance and similar arrangements compared to 15% at December 31, 1999. The amount of premiums ceded under captive mortgage reinsurance arrangements and the percentage of new insurance written and risk in force subject to such arrangements are expected to continue to increase.

Investment income for 2000 was $178.5 million, an increase of 17% over the $153.1 million in 1999. This increase was primarily the result of an increase in the amortized cost of average investment assets to $3.1 billion for 2000, from $2.7 billion for 1999, an increase of 13%. The portfolio's average pretax investment yield was 6.0% and 5.6% at December 31, 2000 and 1999, respectively. The portfolio's average after-tax investment yield was 4.9% in 2000 and 1999. The Company realized gains of $1.4 million during 2000 compared to $3.4 million in 1999.

Other revenue, which is composed of various components, was $40.3 million in 2000, compared with $47.7 million in 1999. The change is primarily the result of decreases in contract underwriting and FHA fee revenue (a contract with the FHA was completed in 1999) and an increase in equity losses for Customers Forever LLC, a joint venture with Marshall & Ilsley Corporation, which were offset by increases in equity earnings from Credit-Based Asset Servicing and Securitization LLC ("C-BASS"), a joint venture with Enhance Financial Services Group Inc. ("Enhance"), and Sherman Financial Group LLC, ("Sherman," another joint venture with Enhance). In the first quarter of 2001, Enhance was acquired by Radian Group Inc.

C-BASS engages in the acquisition and resolution of delinquent single-family residential mortgage loans ("mortgage loans"). C-BASS also purchases and sells mortgage-backed securities ("mortgage securities"), interests in real estate mortgage investment conduit residuals and performs mortgage loan servicing. In addition, C-BASS issues mortgage-backed debt securities collateralized by mortgage loans and mortgage securities. C-BASS's results of operations are affected by the timing of these securitization transactions. Substantially all of C-BASS's mortgage-related assets do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of C-BASS. Market value adjustments could impact C-BASS's results of operations and the Company's share of those results.

Total combined assets of C-BASS at December 31, 2000 and 1999 were approximately $1.0 billion and $934 million, respectively, of which approximately $867 million and $773 million, respectively, were mortgage-related assets, including open trades. Total liabilities at December 31, 2000 and 1999 were approximately $765 million and $744 million, respectively, of which approximately $694 million and $617 million, respectively, were funding arrangements, including accrued interest, virtually all of which were short-term. For the years ended December 31, 2000 and 1999, revenues of approximately $153 million and $112 million, respectively, and expenses of approximately $97 million and $72 million, respectively, resulted in income before tax of approximately $56 million and $40 million, respectively.

Sherman is engaged in the business of purchasing, servicing and securitizing delinquent unsecured consumer assets such as credit card loans and Chapter 13 bankruptcy debt. A substantial portion of Sherman's consolidated assets are investments in receivable portfolios that do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of Sherman. Market value adjustments could impact Sherman's results of operations and the Company's share of those results.

Net losses incurred decreased 6% to $91.7 million in 2000, from $97.2 million in 1999. Such decrease was primarily due to generally strong economic conditions, including in California, and a related decline in losses paid which led the Company to reduce its estimate of the claim rate and the severity (the "reserve factors") for loans in the primary and pool notices inventory. Partially offsetting the reduction in reserve factors was an increase in the primary insurance notice inventory from 29,761 at December 31, 1999 to 37,422 at December 31, 2000, primarily reflecting an increase in subprime notices, and an increase in pool insurance notice inventory from 11,638 at December 31, 1999 to 18,209 at December 31, 2000. The redundancy in loss reserves for 2000 was relatively consistent with that experienced in 1999. The default rate at December 31, 2000 was 2.58% compared to 2.17% at December 31, 1999 and the average claim paid for 2000 was $18,977 compared to $19,444 in 1999. The default rates for the subprime business were 8.66% and 7.39% for 2000 and 1999, respectively.

At December 31, 2000, 67% of the primary insurance in force was written during the last three years, compared to 65% at December 31, 1999. Based on all of the loans in the Company's insurance in force, the highest claim frequency years have typically been the third through fifth years after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from this historical pattern and the Company expects the period of highest claims frequency on subprime loans will occur earlier than in this historical pattern.

Underwriting and other expenses decreased to $177.8 million in 2000 from $198.1 million in 1999, a decrease of 10%. This decrease was primarily due to decreases in contract underwriting and an increase in deferred insurance policy acquisition costs.

Interest expense in 2000 increased to $28.8 million from $20.4 million in 1999 due to higher weighted average interest rates in 2000 compared to 1999.

The consolidated insurance operations loss ratio was 10.3% for 2000 compared to 12.3% for 1999. The consolidated insurance operations expense and combined ratios were 16.4% and 26.7%, respectively, for 2000 compared to 19.7% and 32.0%, respectively, for 1999.

The effective tax rate was 31.3% in 2000, compared with 31.0% in 1999. During both years, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investment income. The higher effective tax rate in 2000 resulted from a lower percentage of total income before tax being generated from tax-preferenced investments in 2000.

Other Matters

In December 2000, MGIC entered into an agreement to settle Downey et. al. v. MGIC, which is pending in Federal District Court for the Southern District of Georgia. The Court has preliminarily approved the settlement agreement, certified a nationwide class of borrowers and scheduled a hearing for June 15, 2001 to consider whether it should enter a final order approving the settlement. The Company has recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. The settlement includes an injunction that prohibits certain practices and specifies the basis on which agency pool insurance, captive mortgage reinsurance, contract underwriting and other products may be provided in compliance with the Real Estate Settlement Procedures Act.

The complaint in the case alleges that MGIC violated the Real Estate Settlement Procedures Act by providing agency pool insurance, captive mortgage reinsurance, contract underwriting and other products that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid at the time of judgment for the mortgage insurance found to be involved in a violation of the Real Estate Settlement Procedures Act. The complaint also seeks injunctive relief, including prohibiting MGIC from receiving future premium payments. If the Court does not enter a final order approving the settlement, the litigation will continue. In these circumstances, there can be no assurance that the ultimate outcome of the litigation will not materially affect the Company's financial position or results of operations.

During the first quarter of 1999, Fannie Mae and Freddie Mac ("GSEs") changed their mortgage insurance requirements for certain mortgages approved by their automated underwriting services. The changes permit lower coverage percentages on these loans than the deeper coverage percentages that went into effect in 1995. MGIC's premium rates vary with the depth of coverage. While lower coverage percentages result in lower premium revenue, lower coverage percentages should also result in lower incurred losses at the same level of claim incidence. MGIC's results could also be affected to the extent the GSEs are compensated for assuming default risk that would otherwise be insured by the private mortgage insurance industry. The GSEs have programs under which a delivery fee is paid to them, with mortgage insurance coverage reduced below the coverage that would be required in the absence of the delivery fee.

In partnership with mortgage insurers, the GSEs are offering programs under which, on delivery of an insured loan to a GSE, the primary coverage is converted to an initial shallow tier of coverage followed by a second tier that is subject to an overall loss limit and, depending on the program, compensation may be paid to the GSE for services or other benefits realized by the mortgage insurer from the coverage conversion. Because lenders receive guaranty fee relief from the GSEs on mortgages delivered with these restructured coverages, participation in these programs is competitively significant to mortgage insurers.

In March 1999, the Office of Federal Housing Enterprise Oversight ("OFHEO") released a proposed risk-based capital stress test for the GSEs. One of the elements of the proposed stress test is that future claim payments made by a private mortgage insurer on GSE loans are reduced below the amount provided by the mortgage insurance policy to reflect the risk that the insurer will fail to pay. Claim payments from an insurer whose claims-paying ability rating is 'AAA' are subject to a 10% reduction over the 10-year period of the stress test, while claim payments from a 'AA' rated insurer, such as MGIC, are subject to a 20% reduction. The effect of the differentiation among insurers is to require the GSEs to have additional capital for coverage on loans provided by a private mortgage insurer whose claims-paying rating is less than 'AAA.' As a result, if adopted as proposed, there is an incentive for the GSEs to use private mortgage insurance provided by a 'AAA' rated insurer. The Company does not believe there should be a reduction in claim payments from private mortgage insurance nor should there be a distinction between 'AAA' and 'AA' rated private mortgage insurers. The proposed stress test covers many topics in addition to capital credit for private mortgage insurance and is not expected to become final for some time. If the stress test ultimately gives the GSEs an incentive to use 'AAA' mortgage insurance, MGIC may need 'AAA' capacity, which in turn would entail using capital to support such a facility as well as additional expenses or MGIC may need to make other changes to provide the GSEs with the equivalent of 'AAA' coverage. The Company cannot predict whether the portion of the stress test discussed above will be adopted in its present form.

1999 Compared with 1998

Net income for 1999 was $470.2 million, compared with $385.5 million in 1998, an increase of 22%. Diluted earnings per share for 1999 was $4.30, compared with $3.39 in 1998, an increase of 27%. Included in the 1999 diluted earnings per share was $0.02 for realized gains compared with $0.10 for realized gains in 1998. The percentage increase in diluted earnings per share was favorably affected by the lower adjusted shares outstanding in 1999 as a result of common stock repurchased by the Company in the second half of 1998 and during the third quarter of 1999.

Total revenues for 1999 were $996.8 million, an increase of 3% from the $971.7 million for 1999. This increase was primarily attributed to an improvement in persistency, which generated an increase in renewal premiums. Also contributing to the increase in revenues was an increase in investment income resulting from strong cash flows. See below for a further discussion of premiums and investment income.

Losses and expenses for 1999 were $315.7 million, a decrease of 24% from the $417.1 million for 1999. The decrease was primarily attributed to a decline in losses incurred resulting from generally strong economic conditions, improvement in the California real estate market, and MGIC's claims mitigation efforts which resulted in a decline in losses paid and a reduction in both primary and pool reserve factors. See below for a further discussion of losses incurred and underwriting expenses.

The amount of new primary insurance written by MGIC during 1999 was $47.0 billion, compared with $43.7 billion in 1998. Refinancing activity decreased to 25% of new primary insurance written in 1999, compared to 31% in 1998 as a result of the increasing mortgage interest rate environment of the second half of 1999.

The $47.0 billion of new primary insurance written during 1999 was offset by the cancellation of $37.4 billion of insurance in force, and resulted in a net increase of $9.6 billion in primary insurance in force, compared to new primary insurance written of $43.7 billion, cancellation of $44.2 billion, and a net decrease of $0.5 billion in insurance in force during 1998. Direct primary insurance in force was $147.6 billion at December 31, 1999, compared to $138.0 billion at December 31, 1998.

In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during 1999 and 1998, which was virtually all agency pool insurance, was $563.8 million and $618.1 million, respectively. The Company's direct pool risk in force at December 31, 1999 was $1.6 billion compared to $1.1 billion at December 31, 1998.

Cancellation activity has historically been affected by the level of mortgage interest rates, with cancellations generally moving inversely to the change in the direction of interest rates. Cancellations decreased during 1999 due to increasing mortgage interest rates which resulted in an increase in the MGIC persistency rate to 72.9% at December 31, 1999, from 68.1% at December 31, 1998.

Net premiums written increased 6% to $792.3 million in 1999, from $749.2 million in 1998. Net premiums earned increased 4% to $792.6 million in 1999, from $763.3 million in 1998. The increases were primarily a result of a higher percentage of renewal premiums on mortgage loans with deeper coverages and the growth in insurance in force offset by an increase in ceded premiums to $26.2 million in 1999, compared to $14.8 million in 1998, primarily due to an increase in captive mortgage reinsurance.

For a discussion of captive mortgage reinsurance and similar arrangements, certain programs with the GSEs regarding mortgage insurance and proposed capital regulations for the GSEs, see the 2000 compared with 1999 discussion and "Other Matters" above.

Investment income for 1999 was $153.1 million, an increase of 7% over the $143.0 million in 1998. This increase was primarily the result of an increase in the amortized cost of average investment assets to $2.7 billion for 1999, from $2.5 billion for 1998, an increase of 11%. The portfolio's average pretax investment yield was 5.6% in 1999 and 1998. The portfolio's average after-tax investment yield was 4.9% in 1999 and 1998. The Company realized gains of $3.4 million during 1999 compared to $18.3 million in 1998. The decrease is primarily the result of gains on the sale of equity securities in 1998 compared to no such gains in 1999.

Other revenue, which is composed of various components, was $47.7 million in 1999, compared with $47.1 million in 1998. The change is primarily the result of an increase in equity earnings from C-BASS, a joint venture with Enhance, offset by equity losses from two joint ventures formed in 1999, Sherman, another joint venture with Enhance, and Customers Forever, a joint venture with Marshall and Ilsley Corporation, and a decrease in contract underwriting revenue. In accordance with generally accepted accounting principles, C-BASS is required to estimate the value of its mortgage related assets and recognize in earnings the resulting net unrealized gains and losses. Including open trades, C-BASS's mortgage related assets were $773 million at December 31, 1999. Substantially all of C-BASS's mortgage-related assets do not have readily ascertainable market values and, as a result, their value for financial statement purposes is estimated by the management of C-BASS. Market valuation adjustments could impact C-BASS's results of operations and the Company's share of those results.

A substantial portion of Sherman's consolidated assets are investments in receivable portfolios that do not have readily ascertainable market values and, as a result, their value for financial statements purposes is estimated by the management of Sherman. Market value adjustments could impact Sherman's results of operations and the Company's share of those results.

Net losses incurred decreased 54% to $97.2 million in 1999, from $211.4 million in 1998. Such decrease was primarily due to generally strong economic conditions, improvement in the California real estate market, and MGIC's claims mitigation efforts, which in the aggregate resulted in a decline in losses paid and led the Company to reduce reserve factors for loans in the primary and pool notices inventory. Partially offsetting the reduction in reserve factors was an increase in the primary insurance notice inventory from 29,253 at December 31, 1998 to 29,761 at December 31, 1999 and an increase in pool insurance notice inventory from 6,524 at December 31, 1998 to 11,638 at December 31, 1999. The reasons for the decrease in net losses incurred discussed above contributed to an increase in redundancy in prior year loss reserves. The redundancy results from actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1998.

At December 31, 1999, 65% of the primary insurance in force was written during the last three years, compared to 60% at December 31, 1998. The highest claim frequency years have typically been the third through fifth years after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from the historical pattern of other loans.

Underwriting and other expenses increased 6% in 1999 to $200.8 million from $190.0 million in 1998. This increase was primarily due to the increase in new primary insurance written and the related underwriting expenses.

Interest expense in 1999 increased to $20.4 million from $18.6 million in 1998 due to a higher weighted average outstanding notes payable balance in 1999 compared to 1998.

The Company utilized financial derivative transactions during 1999 consisting of interest rate swaps to reduce and manage interest rate risk on its notes payable. Earnings on such transactions aggregated approximately $3.8 million and were netted against interest expense. In 1998, earnings on an interest rate swap and premium income on three put-swaptions aggregating approximately $0.5 million for all such transactions were netted against interest expense.

The consolidated insurance operations loss ratio was 12.3% for 1999 compared to 27.7% for 1998. The consolidated insurance operations expense and combined ratios were 19.7% and 32.0%, respectively, for 1999 compared to 19.6% and 47.3%, respectively, for 1998.

The effective tax rate was 31.0% in 1999, compared with 30.5% in 1998. During both years, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investment income. The higher effective tax rate in 1999 resulted from a lower percentage of total income before tax being generated from tax-preferenced investments in 1999.

Financial Condition

Consolidated total investments increased approximately $682 million to $3.5 billion at December 31, 2000 from $2.8 billion at December 31, 1999, primarily due to positive net cash flow, as well as unrealized gains on securities marked to market of $179 million. The Company generated consolidated cash flows from operating activities of $551.0 million during 2000, compared to $455.0 million generated during 1999. The increase in operating cash flows during 2000 compared to 1999 is due primarily to an increase in renewal premiums and investment income and a decrease in losses paid. As of December 31, 2000, the Company had $151.6 million of short-term investments with maturities of 90 days or less, and 63% of the portfolio was invested in tax-preferenced securities. In addition, at December 31, 2000, based on book value, the Company's fixed income securities were approximately 98% invested in 'A' rated and above, readily marketable securities, concentrated in maturities of less than 15 years. At December 31, 2000 the Company had $22.0 million of investments in equity securities compared to $15.4 million at December 31, 1999.

At December 31, 2000, the Company had no derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At December 31, 2000, the average duration of the Company's investment portfolio was 6.1 years. The effect of a 1% increase/ decrease in market interest rates would result in a 6.1% decrease/increase in the value of the Company's fixed income portfolio.

The Company's investments in joint ventures increased $37.3 million from $101.5 million at December 31, 1999 to $138.8 million at December 31, 2000 as a result of additional investments of $19.2 million and equity earnings of $18.1 million.

Consolidated loss reserves decreased 5% to $609.5 million at December 31, 2000 from $642.0 million at December 31, 1999, reflecting a reduction in the primary and pool reserve factors partially offset by increases in the primary and pool insurance notice inventories, all of which were discussed earlier. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default.

Consolidated unearned premiums decreased $0.7 million from $181.4 million at December 31, 1999, to $180.7 million at December 31, 2000, primarily reflecting the continued high level of monthly premium policies written for which there is no unearned premium offset by an increase in unearned premiums for agency pool insurance written.

Consolidated shareholders' equity increased to $2.5 billion at December 31, 2000, from $1.8 billion at December 31, 1999, an increase of 39%. This increase consisted of $542.0 million of net income during 2000, $47.2 million from the reissuance of treasury stock and unrealized gains on investments, net of tax, of $116.5 million offset by the repurchase of $6.2 million of outstanding common shares and dividends declared of $10.6 million.

Liquidity and Capital Resources

The Company's consolidated sources of funds consist primarily of premiums written and investment income. Funds are applied primarily to the payment of claims and expenses. Approximately 68% of underwriting expenses are personnel-related costs, most of which are considered by the Company to be fixed costs over the short term. Approximately 6% of operating expenses relate to occupancy costs, which are fixed costs. Substantially all of the remaining operating expenses are considered by the Company to be variable in nature, with data processing costs and taxes, licenses and fees representing approximately 4% and 10%, respectively, of total operating expenses. The Company generated positive cash flows of approximately $551.0 million, $455.0 million and $411.8 million in 2000, 1999 and 1998, respectively, as shown on the Consolidated Statement of Cash Flows. Positive cash flows are invested pending future payments of claims and other expenses. Cash-flow shortfalls, if any, could be funded through sales of short-term investments and other investment portfolio securities.

During 1999 and 1998, the Company repurchased approximately 3.6 million and 5.3 million shares, respectively, of its outstanding common stock at a cost of $201 and $247 million, respectively. Funds to repurchase the shares in 1998 were primarily provided by borrowings under credit facilities evidenced by notes payable. The shares repurchased in 1999 were funded with a $150 million special dividend from MGIC and cash flow. At December 31, 1999, the Company's outstanding balance on the credit facilities was $425 million, which approximated market value.

In June of 2000, the Company filed a $500 million public debt shelf registration statement. During the fourth quarter of 2000, the Company issued in public offerings $300 million, 7-1/2% Senior Notes due 2005. The notes are unsecured and were rated 'A1' by Moody's and 'A+' by Standard & Poors ("S&P"). The net proceeds were used to repay a portion of the borrowings under the bank credit facilities.

At December 31, 2000, the Company's aggregate outstanding balance under the 1998 and 1999 credit facilities, each of which provides $100 million of availability, was approximately $98 million and the remaining credit available was $102 million. Amounts drawn under the 1998 and 1999 credit facilities are due in 2003 and 2004, respectively. The interest rates on these credit facilities vary based on LIBOR and the 1999 and 2000 weighted average interest rates were 6.71% and 5.57%, respectively. Under the terms of the credit facilities, the Company must maintain shareholders' equity of at least $1 billion and MGIC must maintain a claims paying ability rating of 'AA-' or better with S&P. At December 31, 2000, the Company had shareholders' equity of $2.46 billion and MGIC had a claims paying ability rating of 'AA+' from S&P. The Company plans to sell commercial paper and use the proceeds to repay borrowings under the credit facilities and to use the credit facilities to back the commercial paper.

During 1999, the Company utilized three interest rate swaps, each with a notional amount of $100 million, to reduce and manage interest rate risk on a portion of the variable rate debt under the credit facilities. The notional amount of $100 million represents the stated principal balance used for calculating payments. The Company received and paid amounts based on rates that were both fixed and variable. Earnings on the swaps during 1999, of approximately $3.8 million, were netted against interest expense.

Early in 2000, two of the swaps were amended and designated as hedges. Later in 2000, the two hedges were amended. The Company pays an interest rate based on LIBOR and receives a fixed rate of 7.5%. The swaps have an expiration date coinciding with the maturity of the public debt and are designated as hedges. The remaining swap was also amended. On this swap, the Company pays a fixed rate of 6.79% and receives an interest rate based on LIBOR. The swap has an expiration date coinciding with the maturity of the credit facilities and is designated as a hedge. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items. Earnings on the swaps during 2000, of approximately $0.3 million, were netted against interest expense. The swaps are subject to credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 10.6:1 at December 31, 2000 compared to 11.9:1 at December 31, 1999. The decrease was due to MGIC's increased policyholders' reserves, partially offset by the net additional risk in force of $3.1 billion, net of reinsurance, during 2000.

The risk-to-capital ratios set forth above have been computed on a statutory basis. However, the methodology used by the rating agencies to assign claims-paying ability ratings permits less leverage than under statutory requirements. As a result, the amount of capital required under statutory regulations may be lower than the capital required for rating agency purposes. In addition to capital adequacy, the rating agencies consider other factors in determining a mortgage insurer's claims-paying rating, including its competitive position, business outlook, management, corporate strategy, and historical and projected operating performance.

For certain material risks of the Company's business, see "Risk Factors" below.

Risk Factors

Our revenues and losses could be affected by the risk factors discussed below. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that the Company may make. Forward looking statements consist of statements which relate to matters other than historical fact. Among others, statements that include words such as the Company "believes," "anticipates" or "expects," or words of similar import, are forward looking statements.

If the volume of low down payment home mortgage originations declines, the amount of insurance that we write could also decline which could result in declines in our future revenues.

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

- the level of home mortgage interest rates,
- the health of the domestic economy as well as conditions in regional and local economies,
- housing affordability,
- population trends, including the rate of household formation,
- the rate of home price appreciation, which in times of heavy refinancing affects whether refinance loans have loan-to-value ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

Our volume declined 12% in 2000 compared to the same period in 1999 because many borrowers refinanced their mortgages during 1999 due to a lower interest rate environment. While our volume was higher in 1999, lenders cancelled insurance on loans due to borrowers refinancing. There has been substantially less refinancing activity in 2000. As a result, lenders have cancelled our insurance at a lower rate than in 1999. Also, due to generally favorable home mortgage interest rates in 2000, home purchase activity by first-time homebuyers, who are more likely to need private mortgage insurance, continued to be strong. As a result of these factors, our premium revenues increased in 2000 compared to 1999. While we have not experienced lower volume in recent years other than as a result of refinancing activity, one of the risks we face is that substantially higher interests rates will substantially reduce purchase activity by first-time homebuyers and that the decline in cancellations of insurance that in the past have accompanied higher interest rates will not be sufficient to offset the decline in premiums from loans that are not made.

If lenders and investors select alternatives to private mortgage insurance, the amount of insurance that we write could decline, which could result in declines in our future revenues.

These alternatives to private mortgage insurance include:

- lenders using government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration,

- investors holding mortgages in portfolio and self-insuring,

- investors using credit enhancements other than private mortgage insurance or using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, and

- lenders structuring mortgage originations to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10% loan-to-value ratio (referred to as an 80-10-10 loan) rather than a first mortgage with a 90% loan- to-value ratio.

We believe that during 2000 lenders and investors were self-insuring and making 80-10-10 loans at about the same percentage as they did over the last several years. Although during 2000, the share of the low down payment market held by loans with Federal Housing Administration and Veterans Administration mortgage insurance was lower than in 1999, during three of the prior four years, the Federal Housing Administration and Veterans Administration's collective share of this market increased. In the last quarter of 2000, the Federal Housing Administration reduced its mortgage insurance premiums. Investors are using reduced mortgage insurance coverage on a higher percentage of loans that we insure than they had over the last several years.

Because most of the loans MGIC insures are sold to Fannie Mae and Freddie Mac, changes in their business practices could reduce our revenues or increase our losses.

The business practices of Fannie Mae and Freddie Mac affect the entire relationship between them and mortgage insurers and include:

- the level of private mortgage insurance coverage, subject to the limitations of Fannie Mae and Freddie Mac's charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,

- whether Fannie Mae or Freddie Mac influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,

- whether Fannie Mae or Freddie Mac will give mortgage lenders an incentive, such as a reduced guaranty fee, to select a mortgage insurer that has a 'AAA' claims-paying ability rating to benefit from the proposed lower capital requirements for Fannie Mae and Freddie Mac when a mortgage is insured by a company with that rating,

- the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which thereby 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, and

- the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

We do not have a 'AAA' rating. If the proposed capital rules of the Office of Federal Housing Enterprise Oversight are adopted in a form that gives greater capital credit to private mortgage insurers with 'AAA' ratings, we may need to obtain a 'AAA' rating or may need to make other changes to provide Fannie Mae and Freddie Mac with the equivalent of 'AAA' coverage. While we believe we can obtain this rating, we would need to dedicate capital to the mortgage insurance business that we might use in other ways and we would also have additional costs that we would not otherwise incur.

Because we participate in an industry that is intensely competitive, changes in our competitors' business practices could reduce our revenues or increase our losses.

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but increasingly with mortgage lenders through captive mortgage reinsurance transactions. In these transactions, a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated by the lender. The low level of losses that has recently prevailed in the private mortgage insurance industry has encouraged competition to assume default risk through captive reinsurance arrangements, self-insurance, 80-10-10 loans and other means. In 1996, we reinsured under captive reinsurance arrangements virtually none of our primary insurance. At the end of 2000, about 21% of our risk in force was subject to captive reinsurance arrangements. The level of competition within the private mortgage insurance industry has also increased as many large mortgage lenders have reduced the number of private mortgage insurers with whom they do business. At the same time, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders. Our top ten customers generated 27.0% of the new primary insurance that we wrote in 1997 compared to 36.2% in 2000.

Our private mortgage insurance competitors include:

- PMI Mortgage Insurance Company
- GE Capital Mortgage Insurance Corporation
- United Guaranty Residential Insurance Company
- Radian Guaranty Inc.
- Republic Mortgage Insurance Company
- Triad Guaranty Insurance Corporation
- CMG Mortgage Insurance Company

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

In each year, most of MGIC's premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force is an important determinant of revenues. The factors affecting the length of time our insurance remains in force include:

- the level of current mortgage interest rates compared to the mortgage coupon rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings, and

- mortgage insurance cancellation policies of mortgage investors along with the rate of home price appreciation experienced by the homes underlying the mortgages in the insurance in force.

While it is difficult to measure the extent of the decline, in recent years, the length of time that our policies remain in force has declined somewhat. Due to this decline, our premium revenues were lower than they would have been if the length had not declined.

If the domestic economy deteriorates, more homeowners may default and our losses may increase.

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as unemployment, 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. Favorable economic conditions generally 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. In recent years, due in part to the strength of the economy, we have had low losses by historical standards. A significant deterioration in economic conditions would probably increase our losses.

Our industry is subject to litigation risk.

In recent years, consumers have brought a growing number of lawsuits against home mortgage lenders and settlement service providers. As of the middle of February, 2001, seven mortgage insurers, including our MGIC subsidiary, were involved in litigation alleging violations of the Real Estate Settlement Procedures Act. Our MGIC subsidiary and two other mortgage insurers have entered into an agreement to settle the cases against them. The Court will consider whether to enter a final order approving this settlement in June 2001. We took a

$23.2 million pretax charge in 2000 to cover our share of the estimated costs of the settlement. While the settlement includes an injunction that prohibits certain practices and specifies the basis on which other practices may be done in compliance with the Real Estate Settlement Procedures Act, we may still be subject to future litigation.

Because we expect the pace of change in our industry and in home mortgage lending to remain high, we will be disadvantaged unless we are able to respond to new ways of doing business.

We expect the processes involved in home mortgage lending will continue to evolve through greater use of technology. This evolution could effect fundamental changes in the way home mortgages are distributed. Affiliates of lenders who are regulated depositary institutions gained expanded insurance powers under financial modernization legislation and the capital markets may emerge as providers of insurance in competition with traditional insurance companies. These trends and others increase the level of uncertainty in our business, demand rapid response to change and place a premium on innovation.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

Consolidated Statement of Operations

	2000	1999	1998
	(In thousands of dollars, except per share data)		
REVENUES:			
Premiums written:			
Direct	$ 939,482	$ 816,351	$ 755,620
Assumed	847	2,215	8,352
Ceded (note 7)	(52,941)	(26,221)	(14,811)
Net premiums written	887,388	792,345	749,161
Decrease in unearned premiums	2,703	236	14,123
Net premiums earned (note 7)	890,091	792,581	763,284
Investment income, net of expenses (note 4)	178,535	153,071	143,019
Realized investment gains, net (note 4)	1,432	3,406	18,288
Other revenue	40,283	47,697	47,075
Total revenues	1,110,341	996,755	971,666
LOSSES AND EXPENSES:			
Losses incurred, net (notes 6 and 7)	91,723	97,196	211,354
Underwriting and other expenses	177,837	198,147	187,103
Interest expense	28,759	20,402	18,624
Litigation settlement (note 13)	23,221	-	-
Total losses and expenses	321,540	315,745	417,081
Income before tax	788,801	681,010	554,585
Provision for income tax (note 10)	246,802	210,809	169,120
Net income	$ 541,999	$ 470,201	$ 385,465
Earnings per share (note 11):			
Basic	$ 5.10	$ 4.35	$ 3.44
Diluted	$ 5.05	$ 4.30	$ 3.39

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
December 31, 2000 and 1999

Consolidated Balance Sheet

	2000	1999
ASSETS (In thousands of dollars) Investment portfolio (note 4):		
Securities, available-for-sale, at market value:		
Fixed maturities	$ 3,298,561	$ 2,666,562
Equity securities	22,042	15,426
Short-term investments	151,592	107,746
Total investment portfolio	3,472,195	2,789,734
Cash	5,598	2,322
Accrued investment income	51,419	46,713
Reinsurance recoverable on loss reserves (note 7)	33,226	35,821
Reinsurance recoverable on unearned premiums (note 7)	8,680	6,630
Home office and equipment, net	31,308	32,880
Deferred insurance policy acquisition costs	25,839	22,350
Investments in joint ventures (note 8)	138,838	101,545
Other assets	90,678	66,398
Total assets	$ 3,857,781	$ 3,104,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves (notes 6 and 7)	$ 609,546	$ 641,978
Unearned premiums (note 7)	180,724	181,378
Notes payable (note 5)	397,364	425,000
Other liabilities	205,265	80,048
Total liabilities	1,392,899	1,328,404
Contingencies (note 13)		
Shareholders' equity (note 11):		
Common stock, $1 par value, shares authorized 300,000,000; shares issued 121,110,800; outstanding 2000 - 106,825,758; 1999 - 105,798,034	121,111	121,111
Paid-in surplus	207,882	211,593
Treasury stock (shares at cost 2000 - 14,285,042; 1999 - 15,312,766)	(621,033)	(665,707)
Accumulated other comprehensive income - unrealized appreciation (depreciation) in investments, net of tax (note 2)	75,814	(40,735)
Retained earnings (note 11)	2,681,108	2,149,727
Total shareholders' equity	2,464,882	1,775,989
Total liabilities and shareholders' equity	$ 3,857,781	$ 3,104,393

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
Years Ended December 31, 2000, 1999 and 1998

Consolidated Statement of Shareholders' Equity

	Common stock	Paid-in surplus	Treasury stock	Accumulated other comprehensive income (note 2)	Retained earnings	Comprehensive income
	(In thousands of dollars)					
Balance, December 31, 1997	$ 121,111	$ 218,499	$ (252,942)	$ 83,985	$ 1,316,129	
Net income	-	-	-	-	385,465	$ 385,465
Unrealized investment gains, net	-	-	-	10,587	-	10,587
Comprehensive income	-	-	-	-	-	$ 396,052
Dividends declared	-	-	-	-	(11,243)	
Repurchase of outstanding common shares	-	-	(246,840)	-	-	
Reissuance of treasury stock	-	(1,477)	17,317	-	-	
Balance, December 31, 1998	121,111	217,022	(482,465)	94,572	1,690,351	
Net income	-	-	-	-	470,201	$ 470,201
Unrealized investment losses, net	-	-	-	(135,307)	-	(135,307)
Comprehensive income	-	-	-	-	-	$ 334,894
Dividends declared	-	-	-	-	(10,825)	
Repurchase of outstanding common shares	-	-	(200,533)	-	-	
Reissuance of treasury stock	-	(5,429)	17,291	-	-	
Balance, December 31, 1999	121,111	211,593	(665,707)	(40,735)	2,149,727	
Net income	-	-	-	-	541,999	$ 541,999
Unrealized investment gains, net	-	-	-	116,549	-	116,549
Comprehensive income	-	-	-	-	-	$ 658,548
Dividends declared	-	-	-	-	(10,618)	
Repurchase of outstanding common shares	-	-	(6,224)	-	-	
Reissuance of treasury stock	-	(3,711)	50,898	-	-	
Balance, December 31, 2000	$ 121,111	$ 207,882	$ (621,033)	$ 75,814	$ 2,681,108	

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
Years Ended December 31, 2000, 1999 and 1998

Consolidated Statement of Cash Flows

	2000	1999	1998
	(In thousands of dollars)		
Cash flows from operating activities:			
Net income	$ 541,999	$ 470,201	$ 385,465
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred insurance policy acquisition costs	20,597	16,822	20,717
Increase in deferred insurance policy acquisition costs	(24,086)	(15,107)	(17,626)
Depreciation and other amortization	6,860	11,746	7,742
Increase in accrued investment income	(4,706)	(5,236)	(5,992)
Decrease (increase) in reinsurance recoverable on loss reserves	2,595	9,706	(19,112)
(Increase) decrease in reinsurance recoverable on unearned premiums	(2,050)	2,126	483
(Decrease) increase in loss reserves	(32,432)	(39,296)	82,591
Decrease in unearned premiums	(654)	(2,361)	(14,566)
Equity earnings in joint ventures	(18,113)	(12,700)	(12,420)
Other	61,027	19,114	(15,500)
Net cash provided by operating activities	551,037	455,015	411,782
Cash flows from investing activities:			
Purchase of equity securities	(14,629)	(14,035)	(3,886)
Purchase of fixed maturities	(1,807,718)	(1,223,599)	(916,129)
Investments in joint ventures	(19,180)	(13,599)	(33,426)
Proceeds from sale of equity securities	14,029	4,150	116,164
Proceeds from sale or maturity of fixed maturities	1,349,398	949,723	529,358
Net cash used in investing activities	(478,100)	(297,360)	(307,919)
Cash flows from financing activities:			
Dividends paid to shareholders	(10,618)	(10,825)	(11,243)
Proceeds from issuance of long-term debt	309,079	43,000	262,000
Repayment of long-term debt	(336,751)	(60,000)	(57,500)
Reissuance of treasury stock	18,699	3,912	6,953
Repurchase of common stock	(6,224)	(200,533)	(246,840)
Net cash used in financing activities	(25,815)	(224,446)	(46,630)
Net increase (decrease) in cash and cash equivalents	47,122	(66,791)	57,233
Cash and cash equivalents at beginning of year	110,068	176,859	119,626
Cash and cash equivalents at end of year	$ 157,190	$ 110,068	$ 176,859

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of business

MGIC Investment Corporation ("Company") is a holding company which, through Mortgage Guaranty Insurance Corporation ("MGIC") and several other subsidiaries, is principally engaged in the mortgage insurance business. The Company provides mortgage insurance to lenders throughout the United States to protect against loss from defaults on low down payment residential mortgage loans. Through certain other non-insurance subsidiaries, the Company also provides various services for the mortgage finance industry, such as contract underwriting and portfolio analysis.

At December 31, 2000, the Company's direct primary insurance in force (representing the current principal balance of all mortgage loans that are currently insured) and direct primary risk in force, excluding MGIC Indemnity Corporation ("MIC"), formerly known as Wisconsin Mortgage Assurance Corporation, was approximately $160.2 billion and $39.1 billion, respectively. In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. The Company's direct pool risk in force at December 31, 2000 was approximately $1.7 billion. MIC's direct primary insurance in force, direct primary risk in force and direct pool risk in force was approximately $1.2 billion, $0.3 billion and $0.3 billion, respectively, at December 31, 2000. (See note 7.)

2. Basis of presentation and summary of significant accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of MGIC Investment Corporation and its wholly-owned subsidiaries. All intercompany transactions have been eliminated. The Company's 45.9% investment in Credit-Based Asset Servicing and Securitization LLC ("C-BASS") and 45.5% investment in Sherman Financial Group LLC, ("Sherman"), joint ventures with Enhance Financial Services Group Inc. and 46.4% investment in Customers Forever LLC, ("Customers Forever"), a joint venture with Marshall & Ilsley Corporation are accounted for on the equity method and recorded on the balance sheet as investments in joint ventures. The Company's equity earnings from these joint ventures are included in other revenue. (See note 8.)

The Company also holds a 12% voting preferred stock investment in GHR Systems, Inc. ("GHR"). GHR provides infrastructure for Internet-based lending, including loan decisioning technology. The investment in GHR is recorded on the Company's balance sheet as an equity security.

Investments

The Company categorizes its investment portfolio according to its ability and intent to hold the investments to maturity. Investments which the Company does not have the ability and intent to hold to maturity are considered to be available-for-sale and must be recorded at market and the unrealized gains or losses recognized as an increase or decrease to shareholders' equity. The Company's entire investment portfolio is classified as available-for-sale. Realized investment gains and losses are reported in income based upon specific identification of securities sold. (See note 4.)

Home office and equipment

Home office and equipment is carried at cost net of depreciation. For financial statement reporting purposes, depreciation is determined on a straight-line basis for the home office, equipment and data processing hardware over estimated lives of 45, 5 and 3 years, respectively. For income tax purposes, the Company uses accelerated depreciation methods.

Home office and equipment is shown net of accumulated depreciation of $31.3 million and $31.5 million at December 31, 2000 and 1999, respectively.

Deferred insurance policy acquisition costs

Costs associated with the acquisition of mortgage insurance business, consisting of employee compensation and other policy issuance and underwriting expenses, are initially deferred and reported as deferred acquisition costs (DAC). Because SFAS 60 specifically excludes mortgage guaranty insurance from its guidance relating to the amortization of DAC, amortization of these costs for each underwriting year book of business are charged against revenue in proportion to estimated gross profits over the life of the policies using the guidance of SFAS 97, Accounting and Reporting by Insurance Enterprises For Certain Long Duration Contracts and Realized Gains and Losses From the Sale of Investments. This includes accruing interest on the unamortized balance of DAC. The estimates for each underwriting year are updated annually to reflect actual experience and any changes to key assumptions such as persistency or loss development.

During 2000, 1999 and 1998, the Company amortized $20.6 million, $16.8 million and $20.7 million, respectively, of deferred insurance policy acquisition costs.

Loss reserves

Reserves are established for reported insurance losses and loss adjustment expenses based on when notices of default on insured mortgage loans are received. Reserves are also established for estimated losses incurred on notices of default not yet reported by the lender. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default. Reserves are established by management using estimated claims rates and claims amounts in estimating the ultimate loss. Amounts for salvage recoverable are considered in the determination of the reserve estimates. Adjustments to reserve estimates are reflected in the financial statements in the years in which the adjustments are made. The liability for reinsurance assumed is based on information provided by the ceding companies.

The incurred but not reported ("IBNR") reserves result from defaults occurring prior to the close of an accounting period, but which have not been reported to the Company. Consistent with reserves for reported defaults, IBNR reserves are established using estimated claims rates and claims amounts for the estimated number of defaults not reported.

Reserves also provide for the estimated costs of settling claims, including legal and other expenses and general expenses of administering the claims settlement process. (See note 6.)

Income recognition

The insurance subsidiaries write policies which are guaranteed renewable contracts at the insured's option on a single, annual or monthly premium basis. The insurance subsidiaries have no ability to reunderwrite or reprice these contracts. Premiums written on a single premium basis and an annual premium basis are initially deferred as unearned premium reserve and earned over the policy term. Premiums written on policies covering more than one year are amortized over the policy life in accordance with the expiration of risk which is the anticipated claim payment pattern based on historical experience. Premiums written on annual policies are earned on a monthly pro rata basis. Premiums written on monthly policies are earned as coverage is provided.

Fee income of the non-insurance subsidiaries is earned and recognized as the services are provided and the customer is obligated to pay.

Income taxes

The Company and its subsidiaries file a consolidated federal income tax return. A formal tax sharing agreement exists between the Company and its subsidiaries. Each subsidiary determines income taxes based upon the utilization of all tax deferral elections available. This assumes tax and loss bonds are purchased and held to the extent they would have been purchased and held on a separate company basis since the tax sharing agreement provides that the redemption or non-purchase of such bonds shall not increase such member's separate taxable income and tax liability on a separate company basis.

Federal tax law permits mortgage guaranty insurance companies to deduct from taxable income, subject to certain limitations, the amounts added to contingency loss reserves. Generally, the amounts so deducted must be included in taxable income in the tenth subsequent year. The deduction is allowed only to the extent that U.S. government non-interest bearing tax and loss bonds are purchased and held in an amount equal to the tax benefit attributable to such deduction. The Company accounts for these purchases as a payment of current federal income taxes.

Deferred income taxes are provided under the liability method which recognizes the future tax effects of temporary differences between amounts reported in the financial statements and the tax bases of these items. The expected tax effects are computed at the current federal tax rate. (See note 10.)

Benefit plans

The Company has a non-contributory defined benefit pension plan covering substantially all employees. Retirement benefits are based on compensation and years of service. The Company's policy is to fund pension cost as required under the Employee Retirement Income Security Act of 1974. (See note 9.)

The Company accrues the estimated costs of retiree medical and life benefits over the period during which employees render the service that qualifies them for benefits. The Company offers both medical and dental benefits for retired employees and their spouses. Benefits are generally funded on a pay-as-you-go basis. (See note 9.)

Reinsurance

Loss reserves and unearned premiums are reported before taking credit for amounts ceded under reinsurance treaties. Ceded loss reserves are reflected as "Reinsurance recoverable on loss reserves." Ceded unearned premiums are reflected as "Reinsurance recoverable on unearned premiums." The Company remains contingently liable for all reinsurance ceded. (See note 7.)

Earnings per share

The Company's basic and diluted earnings per share ("EPS") have been calculated in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128"). The Company's net income is the same for both basic and diluted EPS. Basic EPS is based on the weighted-average number of common shares outstanding. Diluted EPS is based on the weighted-average number of common shares outstanding and common stock equivalents which would arise from the exercise of stock options. The following is a reconciliation of the weighted-average number of shares used for basic EPS and diluted EPS. (See note 11.)

	Years Ended December 31,		
	2000	1999	1998
	(shares in thousands)		
Weighted-average shares - Basic EPS	106,202	108,061	112,135
Common stock equivalents	1,058	1,197	1,447
Weighted-average shares - Diluted EPS	107,260	109,258	113,582

Statement of cash flows

For purposes of the consolidated statement of cash flows, the Company considers short-term investments to be cash equivalents, as short-term investments have original maturities of three months or less.

Comprehensive income

The Company's other comprehensive income consists of the change in unrealized appreciation (depreciation) on investments, net of tax. Realized investment gains of $1.4 million and $3.4 million in 2000 and 1999, respectively, include sales of securities which had unrealized (depreciation) appreciation of ($18.6) million and $27.9 million at December 31, 1999 and 1998, respectively.

Recent accounting pronouncements

The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), effective January 1, 2001. The statement establishes accounting and reporting standards for derivative instruments and for hedging activities. The adoption of SFAS 133 will not have a significant effect on the Company's results of operations or its financial position due to its limited use of derivative instruments. (See note 5.)

Reclassifications

Certain reclassifications have been made in the accompanying financial statements to 1999 and 1998 amounts to allow for consistent financial reporting.

3. Related party transactions

The Northwestern Mutual Life Insurance Company ("NML") held approximately 8% of the common stock of the Company at December 31, 2000. The Company contracts with Northwestern Mutual Investment Services, LLC, a subsidiary of NML, for investment portfolio management. The Company incurred expense of $1.1 million, $1.0 million and $1.0 million for these services in 2000, 1999 and 1998, respectively.

The Company provided certain services to C-BASS during 2000, 1999 and 1998, and Customers Forever in 2000 and 1999 in exchange for an immaterial amount of fees. In addition, C-BASS provided certain services to the Company during 2000 and 1999 in exchange for an immaterial amount of fees.

4. Investments

The following table summarizes the Company's investments at December 31, 2000 and 1999:

	Amortized Cost	Market Value	Financial Statement Value
	(In thousands of dollars)		
At December 31, 2000:			
Securities, available-for-sale:			
Fixed maturities	$ 3,182,063	$ 3,298,561	$ 3,298,561
Equity securities	21,903	22,042	22,042
Short-term investments	151,592	151,592	151,592
Total investment portfolio	$ 3,355,558	$ 3,472,195	$ 3,472,195
At December 31, 1999:			
Securities, available-for-sale:			
Fixed maturities	$ 2,732,451	$ 2,666,562	$ 2,666,562
Equity securities	12,203	15,426	15,426
Short-term investments	107,746	107,746	107,746
Total investment portfolio	$ 2,852,400	$ 2,789,734	$ 2,789,734

The amortized cost and market value of investments at December 31, 2000 are as follows:

December 31, 2000:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 220,168	$ 6,033	$ (592)	$ 225,609
Obligations of states and political subdivisions	2,382,766	106,776	(1,226)	2,488,316
Corporate securities	715,115	12,152	(7,282)	719,985
Mortgage-backed securities	1,648	9	-	1,657
Debt securities issued by foreign sovereign governments	13,958	628	-	14,586
Total debt securities	3,333,655	125,598	(9,100)	3,450,153
Equity securities	21,903	757	(618)	22,042
Total investment portfolio	$ 3,355,558	$ 126,355	$ (9,718)	$ 3,472,195

The amortized cost and market value of investments at December 31, 1999 are as follows:

December 31, 1999:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 163,663	$ 305	$ (9,162)	$ 154,806
Obligations of states and political subdivisions	2,195,031	25,196	(71,323)	2,148,904
Corporate securities	466,204	469	(11,406)	455,267
Mortgage-backed securities	1,366	-	(8)	1,358
Debt securities issued by foreign sovereign governments	13,933	55	(15)	13,973
Total debt securities	2,840,197	26,025	(91,914)	2,774,308
Equity securities	12,203	3,223	-	15,426
Total investment portfolio	$ 2,852,400	$ 29,248	$ (91,914)	$ 2,789,734

The amortized cost and market values of debt securities at December 31, 2000, by contractual maturity, are shown below. Debt securities consist of fixed maturities and short-term investments. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Market Value
	(In thousands of dollars)	
Due in one year or less........	$ 180,967	$ 181,015
Due after one year through five years...................	645,228	657,114
Due after five years through ten years....................	893,942	920,049
Due after ten years...........	1,611,870	1,690,318
	3,332,007	3,448,496
Mortgage-backed securities.....	1,648	1,657
Total at December 31, 2000.....	$ 3,333,655	$ 3,450,153

Net investment income is comprised of the following:

	2000	1999	1998
	(In thousands of dollars)		
Fixed maturities.......	$ 167,810	$ 144,614	$ 133,307
Equity securities......	1,279	975	1,133
Short-term investments.	10,673	8,865	9,603
Other	341	46	79
Investment income......	180,103	154,500	144,122
Investment expenses....	(1,568)	(1,429)	(1,103)
Net investment income..	$ 178,535	$ 153,071	$ 143,019

The net realized investment gains (losses) and change in net unrealized appreciation (depreciation) of investments are as follows:

	2000	1999	1998
	(In thousands of dollars)		
Net realized investment gains (losses), on sale of investments:			
Fixed maturities........	$ 1,440	$ 3,409	$ 8,349
Equity securities.......	-	-	9,941
Short-term investments..	(8)	(3)	(2)
	1,432	3,406	18,288
Change in net unrealized appreciation (depreciation):			
Fixed maturities........	182,387	(208,338)	25,631
Equity securities.......	(3,084)	179	(9,339)
Short-term investments..	-	-	-
	179,303	(208,159)	16,292
Net realized investment gains (losses) and change in net unrealized appreciation (depreciation)	$ 180,735	$ (204,753)	$ 34,580

The gross realized gains and the gross realized losses on sales of available-for-sale securities were $18.2 million and $16.8 million, respectively, in 2000, $14.5 million and $11.1 million, respectively, in 1999 and $22.7 million and $4.4 million, respectively, in 1998.

The tax expense (benefit) of the changes in net unrealized appreciation (depreciation) was $62.8 million, ($72.9) million and $5.7 million for 2000, 1999 and 1998, respectively.

5. Long-term debt

During 1999 and 1998, the Company repurchased approximately 3.6 million and 5.3 million shares, respectively, of its outstanding common stock at a cost of $201 million and $247 million, respectively. Funds to repurchase the shares in 1998 were primarily provided by borrowings under credit facilities evidenced by notes payable. The shares repurchased in 1999 were funded with a $150 million special dividend from MGIC and cash flow. At December 31, 1999, the Company's outstanding balances on the 1997, 1998 and 1999 credit facilities were $200 million, $225 million and $0, respectively, which approximated market value.

In June of 2000, the Company filed a $500 million public debt shelf registration statement. During the fourth quarter of 2000, the Company issued in a public offering $300 million, 7-1/2% Senior Notes due 2005. The notes are unsecured and were rated 'A1' by Moody's and 'A+' by Standard & Poors ("S&P"). The net proceeds were used to repay a portion of the previously existing credit facilities.

During the fourth quarter, the Company repaid and terminated the 1997 credit facility. At December 31, 2000, the Company's outstanding balances under the 1998 and 1999 credit facilities were approximately $98 million and $0, respectively. The remaining credit available under these facilities at December 31, 2000 was $2 million and $100 million, expiring in 2003 and 2004, respectively. The interest rates on these credit facilities vary based on LIBOR and the 1999 and 2000 weighted average interest rates were 6.71% and 5.57%, respectively. Under the terms of the credit facilities, the Company must maintain shareholders' equity of at least $1 billion and MGIC must maintain a claims paying ability rating of 'AA-' or better with S&P. At December 31, 2000, the Company had shareholders' equity of $2.46 billion and MGIC had a claims paying ability rating of 'AA+' from S&P.

During 1999, the Company utilized three interest rate swaps, each with a notional amount of $100 million, to reduce and manage interest rate risk on a portion of the variable rate debt under the credit facilities. The notional amount of $100 million represents the stated principal balance used for calculating payments. The Company received and paid amounts based on rates that were both fixed and variable. Earnings on the swaps during 1999, of approximately $3.8 million, were netted against interest expense.

Early in 2000, two of the swaps were amended and designated as hedges. Later in 2000, the two hedges were amended. The Company pays an interest rate based on LIBOR and receives a fixed rate of 7.5%. The swaps have an expiration date coinciding with the maturity of the public debt and are designated as hedges. The remaining swap was also amended. On this swap, the Company pays a fixed rate of 6.79% and receives an interest rate based on LIBOR. The swap has an expiration date coinciding with the maturity of the credit facilities and is designated as a hedge. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items. Earnings on the swaps during 2000, of approximately $0.3 million, were netted against interest expense. The swaps are subject to credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

Interest payments on all long-term debt were $25.5 million and $22.0 million for the years ended December 31, 2000 and 1999, respectively. At December 31, 2000, the carrying value of the long-term debt approximates market value.

6. Loss reserves

Loss reserve activity was as follows:

	2000	1999	1998
	(In thousands of dollars)		
Reserve at beginning of year	$ 641,978	$ 681,274	$ 598,683
Less reinsurance recoverable..	35,821	45,527	26,415
Net reserve at beginning of year......................	606,157	635,747	572,268
Reserve transfer (1)..........	85	833	538
Adjusted reserve at beginning of year......................	606,242	636,580	572,806
Losses incurred:			
Losses and LAE incurred in respect of default notices received in:			
Current year............	320,769	333,193	377,786
Prior years (2).........	(229,046)	(235,997)	(166,432)
Subtotal.............	91,723	97,196	211,354
Losses paid:			
Losses and LAE paid in respect of default notices received in:			
Current year............	9,044	7,601	8,752
Prior years.............	112,601	120,018	139,661
Subtotal.............	121,645	127,619	148,413
Net reserve at end of year....	576,320	606,157	635,747
Plus reinsurance recoverages..	33,226	35,821	45,527
Reserve at end of year........	$ 609,546	$ 641,978	$ 681,274

(1) Received in conjunction with the cancellation of certain reinsurance treaties. (See note 7.)
(2) A negative number for a prior year indicates a redundancy of loss reserves, and a positive number for a prior year indicates a deficiency of loss reserves.

The top portion of the table above shows losses incurred on default notices received in the current year and in prior years, respectively. The amount of losses incurred relating to default notices received in the current year represents the estimated amount to be ultimately paid on such default notices. The amount of losses incurred relating to default notices received in prior years represents an adjustment made in the current year for defaults which were included in the loss reserve at the end of the prior year.

Current year losses incurred decreased from 1999 to 2000 primarily due to generally strong economic conditions, including California and a related decline in losses paid which resulted in a decline in both primary and pool reserve factors. Partially offsetting the reduction in factors was an increase in the primary insurance notice inventory from 29,761 at December 31, 1999 to 37,422 at December 31, 2000 and an increase in pool insurance notice inventory from 11,638 at

December 31, 1999 to 18,209 at December 31, 2000. The default rate at December 31, 2000 was 2.58% compared to 2.17% at December 31, 1999 and the average claim paid for 2000 was $18,977 compared to $19,444 in 1999.

The favorable development of the reserves in 2000, 1999 and 1998 is reflected in the prior year line, and results from the actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1999, 1998 and 1997, respectively.

The lower portion of the table above shows the breakdown between claims paid on default notices received in the current year and default notices received in prior years. Since it takes, on average, about twelve months for a default which is not cured to develop into a paid claim, most losses paid relate to default notices received in prior years.

7. Reinsurance

The Company cedes a portion of its business to reinsurers and records assets for reinsurance recoverable on estimated reserves for unpaid losses and unearned premiums. Business written between 1985 and 1993 is ceded under various quota share reinsurance agreements with several reinsurers. The Company receives a ceding commission in connection with this reinsurance. Beginning in 1997, the Company has ceded business to captive reinsurance subsidiaries of certain mortgage lenders primarily under excess of loss reinsurance agreements.

The reinsurance recoverable on loss reserves and the reinsurance recoverable on unearned premiums primarily represent amounts recoverable from large international reinsurers. The Company monitors the financial strength of its reinsurers including their claims paying ability rating and does not currently anticipate any collection problems. Generally, reinsurance recoverables on loss reserves and unearned premiums are backed by trust funds or letters of credit. No reinsurer represents more than $10 million of the aggregate amount recoverable. As a result of the purchase of MIC on December 31, 1998, reinsurance recoverable on loss reserves as shown in the Consolidated Balance Sheet includes approximately $15 million and $19 million of reinsured loss reserves at December 31, 2000 and December 31, 1999, respectively.

The effect of reinsurance on premiums earned and losses incurred is as follows:

	2000	1999	1998
	(In thousands of dollars)		
Premiums earned:			
Direct..............	$ 939,981	$ 819,485	$ 770,775
Assumed.............	999	1,442	9,670
Ceded	(50,889)	(28,346)	(17,161)
Net premiums earned.	$ 890,091	$ 792,581	$ 763,284
Losses incurred:			
Direct..............	$ 93,218	$ 94,920	$ 216,340
Assumed.............	35	(1,332)	(3,234)
Ceded	(1,530)	3,608	(1,752)
Net losses incurred.	$ 91,723	$ 97,196	$ 211,354

8. Investments in joint ventures

C-BASS engages in the acquisition and resolution of delinquent single-family residential mortgage loans ("mortgage loans"). C-BASS also purchases and sells mortgage-backed securities ("mortgage securities"), interests in real estate mortgage investment conduit residuals and performs mortgage loan servicing. In addition, C-BASS issues mortgage-backed debt securities collateralized by mortgage loans and mortgage securities. Substantially all of C-BASS's mortgage-related assets do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of C-BASS. Market value adjustments could impact the Company's share of C-BASS's results of operations.

Total combined assets of C-BASS at December 31, 2000 and 1999 were approximately $1,006 million and $934 million, respectively, of which approximately $867 million and $773 million, respectively, were mortgage-related assets, including open trades. Total liabilities at December 31, 2000 and 1999 were approximately $765 million and $744 million, respectively, of which approximately $694 million and $617 million, respectively, were funding arrangements, including accrued interest. For the years ended December 31, 2000 and 1999, revenues of approximately $153 million and $112 million, respectively, and expenses of approximately $97 million and $72 million, respectively, resulted in income before tax of approximately $56 million and $40 million, respectively. The Company's investment in C-BASS on an equity basis at December 31, 2000 was $108.7 million.

Sherman is engaged in the business of purchasing, servicing and securitizing delinquent unsecured consumer assets such as credit card loans and Chapter 13 bankruptcy debt. A substantial portion of Sherman's consolidated assets are investments in receivable portfolios that do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of Sherman. Market value adjustments could impact the Company's share of Sherman's results of operations. The Company's investment in Sherman on an equity basis at December 31, 2000 was $17.0 million. MGIC is guaranteeing one half of a $25 million Sherman credit facility that is scheduled to expire in December 2001.

Customers Forever is an Internet-focused transaction service company dedicated to helping large residential mortgage servicers retain and enhance relationships with their customers nationwide. The Company's investment in Customers Forever on an equity basis at December 31, 2000 is $8.3 million.

The Company expects that it will provide additional funding to the joint ventures.

9. Benefit plans

The following tables provide reconciliations of the changes in the benefit obligation, fair value of plan assets and funded status of the pension and other postretirement benefit plans:

	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
	(In thousands of dollars)			
Reconciliation of benefit obligation:				
Benefit obligation at beginning of year	$ 69,971	$ 66,280	$ 24,512	$ 23,010
Service cost	4,734	5,869	1,943	2,041
Interest cost	4,885	4,677	1,831	1,644
Actuarial (gain) loss	(4,341)	(5,917)	(18)	(2,044)
Benefits paid	(1,067)	(938)	(344)	(139)
Benefit obligation at end of year	$ 74,182	$ 69,971	$ 27,924	$ 24,512
Reconciliation of fair value of plan assets:				
Fair value of plan assets at beginning of year	$ 86,848	$ 73,822	$ 13,330	$ 11,045
Actual return on plan assets	(1,627)	6,390	(524)	422
Employer contributions	2,131	7,574	750	1,863
Benefits paid	(1,067)	(938)	-	-
Fair value of plan assets at end of year	$ 86,285	$ 86,848	$ 13,556	$ 13,330
Reconciliation of funded status:				
Benefit obligation at end of year	$ (74,182)	$ (69,971)	$ (27,924)	$ (24,512)
Fair value of plan assets at end of year	86,285	86,848	13,556	13,330
Funded status at end of year	12,103	16,877	(14,368)	(11,182)
Unrecognized net actuarial gain	(7,977)	(12,011)	(3,426)	(4,959)
Unrecognized net transition obligation	-	31	6,359	6,889
Unrecognized prior service cost	2,176	2,359	-	-
Prepaid (accrued) benefit cost	$ 6,302	$ 7,256	$ (11,435)	$ (9,252)

The following table provides the components of net periodic benefit cost for the pension and other postretirement benefit plans:

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
	(In thousands of dollars)					
Service cost	$ 4,734	$ 5,869	$ 4,064	$ 1,943	$ 2,041	$ 1,612
Interest cost	4,885	4,677	3,959	1,831	1,644	1,357
Expected return on plan assets	(6,496)	(5,543)	(4,674)	(1,009)	(844)	(696)
Recognized net actuarial gain	(520)	-	-	(146)	(17)	(170)
Amortization of transition obligation	32	32	32	530	530	530
Amortization of prior service cost	183	183	183	-	-	-
Net periodic benefit cost	$ 2,818	$ 5,218	$ 3,564	$ 3,149	$ 3,354	$ 2,633

The assumptions used in the measurement of the Company's pension and other postretirement benefit obligations are shown in the following table:

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
Weighted-average interest rate assumptions as of December 31:						
Discount rate	7.5%	7.5%	7.0%	7.5%	7.5%	7.0%
Expected return on plan assets	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Rate of compensation increase	6.0%	6.0%	6.0%	N/A	N/A	N/A

Plan assets consist of fixed maturities and equity securities. The Company is amortizing the unrecognized transition obligation for other postretirement benefits over 20 years.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is:

Medical Pre 65	8.0% for 2000 graded down by 0.5% to 6.0% in 2004 and remaining level thereafter.
Medical Post 65	7.5% for 2000 graded down by 0.5% to 6.0% in 2003 and remaining at 6.0% thereafter.
Dental	6.0% per year.

A 1% change in the health care trend rate assumption would have the following effects on other postretirement benefits:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(In thousands of dollars)	
Effect on total service and interest cost components	$ 801	$ (678)
Effect on postretirement benefit obligation	5,400	(4,562)

The Company has a profit sharing and 401(k) savings plan for employees. At the discretion of the Board of Directors, the Company may make a profit sharing contribution of up to 5% of each participant's compensation. The Company provides a matching 401(k) savings contribution on employees' before-tax contributions at a rate of 80% of the first $1,000 contributed and 40% of the next $2,000 contributed. Profit sharing costs and the Company's matching contributions to the 401(k) savings plan were $4.7 million, $5.3 million and $5.0 million in 2000, 1999 and 1998, respectively.

10. Income taxes

The components of the net deferred tax liability (asset) as of December 31, 2000 and 1999 are recorded on the Consolidated Balance Sheet as part of other liabilities or other assets and are as follows:

	2000	1999
	(In thousands of dollars)	
Unearned premium reserves	$ (12,054)	$ (17,726)
Deferred policy acquisition costs	9,044	7,822
Loss reserves	(6,368)	(8,119)
Unrealized appreciation/depreciation in investments	40,822	(21,933)
Contingency reserve	51,330	29,029
Other	(993)	(4,521)

Net deferred tax (asset) liability...	$ 81,781	$ (15,448)

At December 31, 2000, gross deferred tax assets and liabilities amounted to $75.3 million and $157.1 million, respectively. Management believes that all gross deferred tax assets at December 31, 2000 are fully realizable and no valuation reserve has been established.

The following summarizes the components of the provision for income tax:

	2000	1999	1998
	(In thousands of dollars)		
Federal:			
Current.................	$ 208,949	$ 179,423	$ 171,244
Deferred................	34,476	28,874	(4,198)
State.....................	3,377	2,512	2,074
Provision for income tax..	$ 246,802	$ 210,809	$ 169,120

The Company paid $199.9 million, $173.1 million and $160.6 million in federal income tax in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, the Company owned $838.0 million and $704.1 million, respectively, of tax and loss bonds.

The reconciliation of the tax provision computed at the federal tax rate of 35% to the reported provision for income tax is as follows:

	2000	1999	1998
	(In thousands of dollars)		
Tax provision computed at federal tax rate..........	$ 276,080	$ 238,354	$ 194,105
(Decrease) increase in tax provision resulting from:			
Tax exempt municipal bond interest.........	(32,350)	(31,851)	(28,973)
Other, net.............	3,072	4,306	3,988
Provision for income tax....	$ 246,802	$ 210,809	$ 169,120

11. Shareholders' equity and dividend restrictions

The Company's insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. In 2001, MGIC can pay $92.0 million of dividends and the other insurance subsidiaries of the Company can pay $7.1 million of dividends without such regulatory approval.

Certain of the Company's non-insurance subsidiaries also have requirements as to maintenance of net worth. These restrictions could also affect the Company's ability to pay dividends.

In 2000, 1999 and 1998, the Company paid dividends of $10.6 million, $10.8 million and $11.2 million, respectively or $0.10 per share in 2000, 1999 and 1998.

The principles used in determining statutory financial amounts differ from generally accepted accounting principles ("GAAP"), primarily for the following reasons:

Under statutory accounting practices, mortgage guaranty insurance companies are required to maintain contingency loss reserves equal to 50% of premiums earned. Such amounts cannot be withdrawn for a period of ten years except as permitted by insurance regulations. Contingency loss reserves are not reflected as liabilities under GAAP.

Under statutory accounting practices, insurance policy acquisition costs are charged against operations in the year incurred. Under GAAP, these costs are deferred and amortized as the related premiums are earned commensurate with the expiration of risk.

Statutory financial statements only include a provision for current income taxes due, and purchases of tax and loss bonds are accounted for as investments. GAAP financial statements provide for deferred income taxes, and purchases of tax and loss bonds are recorded as payments of current income taxes.

Under statutory accounting practices, fixed maturity investments are valued at amortized cost. Under GAAP, those investments which the Company does not have the ability and intent to hold to maturity are considered to be available for sale and are recorded at market, with the unrealized gain or loss recognized, net of tax, as an increase or decrease to shareholders' equity.

The statutory net income, equity and the contingency reserve liability of the insurance subsidiaries (excluding the non-insurance companies) are as follows:

Year Ended December 31,	Net Income	Equity	Contingency Reserve
	(In thousands of dollars)		
2000	$ 348,137	$ 991,343	$ 2,616,653
1999	296,287	637,234	2,253,418
1998	187,535	585,280	1,939,626

The differences between the statutory net income and equity presented above for the insurance subsidiaries and the consolidated net income and equity presented on a GAAP basis primarily represent the differences between GAAP and statutory accounting practices, and the effect of the treasury shares on consolidated equity.

In 1998, the NAIC adopted the Codification of Statutory Accounting Principles guidance, which replaces the current Accounting Practices and Procedures manual as the NAIC's primary guidance on statutory accounting as of January 1, 2001. The Codification provides guidance for areas where statutory accounting has been silent and also changes current statutory accounting in other areas. The OCI has adopted the Codification guidance, effective January 1, 2001. The effect of the adoption is not expected to have a material impact on the Company's insurance subsidiaries' statutory surplus. The most significant change affecting surplus is the requirement to record deferred income taxes.

The Company has two stock option plans which permit certain officers and employees to purchase common stock at specified prices. A summary of activity in the stock option plans during 1998, 1999 and 2000 is as follows:

	Average Exercise Price	Shares Subject to Option
Outstanding, December 31, 1997...	$ 22.09	3,634,874
Granted.......................	62.28	109,500
Exercised.....................	10.99	(478,848)
Canceled......................	33.99	(70,002)
Outstanding, December 31, 1998...	24.87	3,195,524
Granted.......................	42.29	791,750
Exercised.....................	8.74	(413,930)
Canceled......................	45.94	(17,200)
Outstanding, December 31, 1999...	30.52	3,556,144
Granted.......................	45.40	954,000
Exercised.....................	16.91	(1,080,208)
Canceled......................	37.96	(44,940)
Outstanding, December 31, 2000...	$ 38.96	3,384,996

The exercise price of the options granted in 1998, 1999 and 2000 was equal to the market value of the stock on the date of grant. The options are exercisable between one and ten years after the date of grant. At December 31, 2000, 1,846,627 shares were available for future grant under the stock option plans.

The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). Had compensation cost for the Company's stock option plans been determined based on the fair value method described by SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Year Ended December 31, 2000	1999	1998
Net income	$ 530,625	$ 464,793	$ 381,689
Earnings per share:			
Basic	$ 5.00	$ 4.30	$ 3.40
Diluted	$ 4.95	$ 4.25	$ 3.36

The fair value of these options was estimated at grant date using the Black-Scholes option pricing model with the following weighted average assumptions for each year:

	Grants Issued in Year Ended December 31, 2000	1999	1998
Risk free interest rate....	6.75%	5.18%	5.33%
Expected life.............	6.8 years	5.4 years	5.9 years
Expected volatility........	33.62%	33.55%	26.69%
Expected dividend yield....	0.15%	0.16%	0.25%
Fair value of each option..	$21.96	$16.70	$22.64

The following is a summary of stock options outstanding at December 31, 2000:

Exercise Price Range	Options Outstanding Shares	Options Outstanding Remaining Average Life (yrs.)	Options Outstanding Average Exercise Price	Options Exercisable Shares	Options Exercisable Average Exercise Price
$9.63-$20.88	380,830	3.0	$15.65	380,830	$ 15.65
$26.69-$46.06	2,886,166	7.6	40.97	791,418	37.41
$60.25-$68.63	118,000	7.0	65.15	56,790	64.75
Total	3,384,996	7.1	$38.96	1,229,038	$ 31.93

At December 31, 1999 and 1998, option shares of 1,721,204 and 1,751,725 were exercisable at an average exercise price of $20.03 and $14.01, respectively. The Company also granted an immaterial amount of equity instruments other than options during 1999 and 2000.

The Company adopted a Shareholder Rights Plan on July 22, 1999. Under terms of the plan, on August 9, 1999, Common Share Purchase Rights were distributed as a dividend at the rate of one Common Share Purchase Right for each outstanding share of the Company's Common Stock. The "Distribution Date" occurs ten days after an announcement that a person has acquired 15 percent or more of the Company's Common Stock (the date on which such an acquisition occurs is the "Shares Acquisition Date" and a person who makes such an acquisition is an "Acquiring Person"), or ten business days after a person announces or begins a tender offer in which consummation of such offer would result in ownership by a person of 15 percent or more of the Common Stock. The Rights are not exercisable until the Distribution Date. Each Right will initially entitle shareholders to buy one-half of one share of the Company's Common Stock at a Purchase Price of $225 per full share (equivalent to $112.50 for each one-half share), subject to adjustment. If there is an Acquiring Person, then each Right (subject to certain limitations) will entitle its holder to purchase, at the Rights' then-current Purchase Price, a number of shares of Common Stock of the Company (or if after the Shares Acquisition Date, the Company is acquired in a business combination, common shares of the acquiror) having a market value at the time equal to twice the Purchase Price. The Rights will expire on July 22, 2009, subject to extension. The Rights are redeemable at a price of $.001 per Right at any time prior to the time a person becomes an Acquiring Person. Other than certain amendments, the Board of Directors may amend the Rights in any respect without the consent of the holders of the Rights.

12. Leases

The Company leases certain office space as well as data processing equipment and autos under operating leases that expire during the next seven years. Generally, all rental payments are fixed.

Total rental expense under operating leases was $5.3 million, $5.5 million and $5.4 million in 2000, 1999 and 1998, respectively.

At December 31, 2000, minimum future operating lease payments are as follows (in thousands of dollars):

2001	$ 4,886
2002	3,408
2003	1,568
2004	820
2005	586
2006 and thereafter............	143
Total....................	$ 11,411

13. Contingencies and litigation settlement

The Company is involved in litigation in the ordinary course of business. In the opinion of management, the ultimate resolution of this pending litigation will not have a material adverse effect on the financial position or results of operations of the Company.

In addition, MGIC has entered into an agreement to settle Downey et. al. v. MGIC, which is pending in Federal District Court for the Southern District of Georgia. The Court has preliminarily approved the settlement agreement, certified a nationwide class of borrowers and scheduled a hearing for June 15, 2001 to consider whether it should enter a final order approving the settlement. The Company has recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. The settlement includes an injunction that prohibits certain practices and specifies the basis on which agency pool insurance, captive mortgage reinsurance, contract underwriting and other products may be provided in compliance with the Real Estate Settlement Procedures Act.

The complaint in the case alleges that MGIC violated the Real Estate Settlement Procedures Act by providing agency pool insurance, captive mortgage reinsurance, contract underwriting and other products that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid at the time of judgment for the mortgage insurance found to be involved in a violation of the Real Estate Settlement Procedures Act. The complaint also seeks injunctive relief, including prohibiting MGIC from receiving future premium payments. If the Court does not enter a final order approving the settlement, the litigation will continue. In these circumstances, there can be no assurance that the ultimate outcome of the litigation will not materially affect the Company's financial position or results of operations.

Report of Independent Accountants

To the Board of Directors & Shareholders of MGIC Investment Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of MGIC Investment Corporation and Subsidiaries (the "Company") at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
January 9, 2001

Unaudited quarterly financial data

2000	First	Second	Third	Fourth	2000 Year
	(In thousands of dollars, except per share data)				
Net premiums written	$ 199,320	$ 220,814	$ 236,208	$ 231,046	$ 887,388
Net premiums earned	210,104	218,434	229,208	232,345	890,091
Investment income, net of expenses	40,609	42,731	46,125	49,070	178,535
Losses incurred, net	22,615	22,540	21,442	25,126	91,723
Underwriting and other expenses, net	47,008	46,198	40,055	44,576	177,837
Litigation settlement	-	-	-	23,221	23,221
Net income	127,220	136,103	146,355	132,321	541,999
Earnings per share (a):					
Basic	1.20	1.28	1.38	1.24	5.10
Diluted	1.19	1.27	1.36	1.23	5.05

1999	First	Second	Third	Fourth	1999 Year
	(In thousands of dollars, except per share data)				
Net premiums written	$ 184,011	$ 196,374	$ 207,582	$ 204,378	$ 792,345
Net premiums earned	193,981	194,766	200,042	203,792	792,581
Investment income, net of expenses	36,915	38,627	39,303	38,226	153,071
Losses incurred, net	44,232	30,941	19,533	2,490	97,196
Underwriting and other expenses, net	52,872	51,384	47,476	46,415	198,147
Net income	100,418	112,934	122,909	133,940	470,201
Earnings per share (a):					
Basic	.92	1.04	1.13	1.27	4.35
Diluted	.91	1.02	1.11	1.25	4.30

(a) Due to the use of weighted average shares outstanding when calculating earnings per share, the sum of the quarterly per share data may not equal the per share data for the year.

Shareholder Information

MGIC Stock

MGIC Investment Corporation Common Stock is listed on the New York Stock Exchange under the symbol MTG. At December 31, 2000, 106,825,758 shares were outstanding. The following table sets forth for 1999 and 2000 by quarter the high and low sales prices of the Common Stock on the New York Stock Exchange Composite Tape.

	1999		2000	
Quarters	High	Low	High	Low
1st	$ 45.625	$ 30.125	$ 59.2500	$ 31.9375
2nd	51.625	34.750	54.8750	42.0000
3rd	56.750	40.250	64.3125	44.7500
4th	62.750	46.500	71.5000	58.5000

In 1999 and 2000 the Company declared and paid the following cash dividends:

Quarters	1999	2000
1st	$ .025	$ .025
2nd	.025	.025
3rd	.025	.025
4th	.025	.025
	$ .100	$ .100

The Company is a holding company and the payment of dividends from its insurance subsidiaries is restricted by insurance regulation. For a discussion of these restrictions, see Note 11 of the Notes to the Consolidated Financial Statements.

As of March 12, 2001, the number of shareholders of record was 238. In addition, there were approximately 33,500 beneficial owners of shares held by brokers and fiduciaries

MGIC INVESTMENT CORPORATION

DIRECT AND INDIRECT SUBSIDIARIES AND JOINT VENTURES
OF MGIC INVESTMENT CORPORATION[1]

1. MGIC Assurance Corporation
2. MGIC Credit Assurance Corporation
3. MGIC Indemnity Corporation
4. MGIC Insurance Services Corporation
5. MGIC Investor Services Corporation
6. MGIC Mortgage Insurance Corporation
7. MGIC Mortgage Marketing Corporation
8. MGIC Mortgage and Consumer Asset I LLC
9. MGIC Mortgage and Consumer Asset II LLC
10. MGIC Mortgage Reinsurance Corporation
11. MGIC Mortgage Securities Corporation
12. MGIC Reinsurance Corporation
13. MGIC Reinsurance Corporation of Vermont
14. MGIC Reinsurance Corporation of Wisconsin
15. MGIC Residential Reinsurance Corporation
16. MGIC Surety Corporation
17. Mortgage Guaranty Insurance Corporation
18. eMagic.com LLC
19. Credit-Based Asset Servicing and Securitization LLC[2]
20. Litton Loan Servicing LP[3]
21. Sherman Financial Group LLC[2]
22. Customers Forever LLC[4]

The names of certain less than 50% owned persons that would not in the aggregate be a significant subsidiary are omitted.

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1 Except as otherwise noted in Footnotes 2-4, all companies listed are 100% directly or indirectly owned by the registrant and all are incorporated in Wisconsin.

2 Less than 50% owned and organized under Delaware law.

3 100% owned by Credit-Based Asset Servicing and Securitization LLC

4 Less than 50% owned and organized under Wisconsin law.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements listed below of MGIC Investment Corporation of our report dated January 9, 2001 relating to the consolidated financial statements, which appears in the 2000 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 9, 2001 relating to the financial statement schedules, which appears in this Form 10-K.

1. Registration Statement on Form S-8 (Registration No. 33-42120)

2. Registration Statement on Form S-8 (Registration No. 33-43543)

3. Registration Statement on Form S-8 (Registration No. 333-56350)

4. Registration Statement on Form S-8 (Registration No. 333-56346)

PRICEWATERHOUSECOOPERS LLP

Milwaukee, Wisconsin
March 28, 2001