FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended SEPTEMBER 30, 2002

[ ] 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.)

250 E. KILBOURN AVENUE MILWAUKEE, WISCONSIN	53202
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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

CLASS OF STOCK	PAR VALUE	DATE	NUMBER OF SHARES
Common stock	$1.00	10/31/02	100,477,880

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 2002 (Unaudited) and December 31, 2001

	September 30, 2002	December 31, 2001
	(In thousands of dollars)	
ASSETS		
Investment portfolio:		
Securities, available-for-sale, at market value:		
Fixed maturities	$ 4,428,532	$ 3,888,740
Equity securities	18,882	20,747
Short-term investments	193,998	159,960
Total investment portfolio	4,641,412	4,069,447
Cash	12,874	26,392
Accrued investment income	55,250	59,036
Reinsurance recoverable on loss reserves	22,666	26,888
Reinsurance recoverable on unearned premiums	8,712	8,415
Home office and equipment, net	35,337	34,762
Deferred insurance policy acquisition costs	31,859	32,127
Investments in joint ventures	200,335	161,674
Other assets	149,273	148,271
Total assets	$ 5,157,718	$ 4,567,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves	$ 667,177	$ 613,664
Unearned premiums	174,345	174,545
Short-and long-term debt (note 2)	634,852	472,102
Other liabilities	346,256	286,514
Total liabilities	1,822,630	1,546,825
Contingencies (note 4)		
Shareholders' equity:		
Common stock, $1 par value, shares authorized 300,000,000; shares issued, 9/30/02 - 121,418,637 12/31/01 - 121,110,800; shares outstanding, 9/30/02 - 100,802,880 12/31/01 - 106,086,594	121,419	121,111
Paid-in surplus	232,950	214,040
Members' equity	(553)	-
Treasury stock (shares at cost, 9/30/02 - 20,615,757 12/31/01 - 15,024,206)	(1,009,546)	(671,168)
Accumulated other comprehensive income, net of tax	197,409	46,644
Retained earnings	3,793,409	3,309,560
Total shareholders' equity	3,335,088	3,020,187
Total liabilities and shareholders' equity	$ 5,157,718	$ 4,567,012

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Three and Nine Month Periods Ended September 30, 2002 and 2001
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(In thousands of dollars, except per share data)			
Revenues:				
Premiums written:				
Direct	$ 336,516	$ 288,288	$ 957,065	$ 803,797
Assumed	105	126	242	353
Ceded (note 3)	(35,260)	(17,408)	(86,234)	(46,653)
Net premiums written	301,361	271,006	871,073	757,497
(Increase) decrease in unearned premiums	(2,408)	(6,226)	498	5,837
Net premiums earned	298,953	264,780	871,571	763,334
Investment income, net of expenses	51,036	51,021	154,640	152,632
Realized investment gains, net	8,891	7,247	21,984	28,822
Other revenue	31,926	16,788	102,014	55,070
Total revenues	390,806	339,836	1,150,209	999,858
Losses and expenses:				
Losses incurred, net	101,094	43,468	225,224	109,149
Underwriting and other expenses, net	64,646	58,317	192,163	168,495
Interest expense	10,070	7,604	26,522	23,294
Total losses and expenses	175,810	109,389	443,909	300,938
Income before tax	214,996	230,447	706,300	698,920
Provision for income tax	63,426	71,455	214,607	220,786
Net income	$ 151,570	$ 158,992	$ 491,693	$ 478,134
Earnings per share (note 5):				
Basic	$ 1.47	$ 1.48	$ 4.69	$ 4.46
Diluted	$ 1.47	$ 1.47	$ 4.66	$ 4.43
Weighted average common shares outstanding - diluted (shares in thousands, note 5)	103,361	108,218	105,511	108,036
Dividends per share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2002 and 2001
(Unaudited)

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
	(In thousands of dollars)	
Cash flows from operating activities:		
Net income	$ 491,693	$ 478,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred insurance policy acquisition costs	17,900	14,712
Increase in deferred insurance policy acquisition costs	(17,632)	(18,409)
Depreciation and amortization	8,730	5,145
Decrease in accrued investment income	3,786	826
Decrease in reinsurance recoverable on loss reserves	4,222	5,398
(Increase) decrease in reinsurance recoverable on unearned premiums	(297)	62
Increase (decrease) in loss reserves	53,513	(5,608)
Decrease in unearned premiums	(200)	(5,899)
Equity earnings in joint ventures	(58,951)	(23,007)
Other	(25,474)	70,698
Net cash provided by operating activities	477,290	522,052
Cash flows from investing activities:		
Purchase of fixed maturities	(1,985,114)	(2,162,273)
Additional investment in joint ventures	-	(15,000)
Sale of equity securities	3,424	1,585
Proceeds from sale or maturity of fixed maturities	1,695,034	1,700,427
Net cash used in investing activities	(286,656)	(475,261)
Cash flows from financing activities:		
Dividends paid to shareholders	(7,845)	(8,031)
Proceeds from issuance of long-term debt	199,992	111,499
Repayment of short- and long-term debt	(40,446)	(133,384)
Reissuance of treasury stock	16,696	15,307
Repurchase of common stock	(338,818)	(7,821)
Common stock issued	308	-
Net cash used in financing activities	(170,113)	(22,430)
Net increase in cash and short-term investments	20,520	24,361
Cash and short-term investments at beginning of period	186,352	157,190
Cash and short-term investments at end of period	$ 206,872	$ 181,551

See accompanying notes to consolidated financial statements.

Note 1 - Basis of presentation and summary of certain significant accounting policies

The accompanying unaudited consolidated financial statements of MGIC Investment Corporation (the "Company") and its wholly-owned subsidiaries have been prepared in accordance with the instructions to Form 10-Q and do not include all of the other information and disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-K for that year.

The accompanying consolidated financial statements have not been audited by independent accountants in accordance with generally accepted auditing standards, but in the opinion of management such financial statements include all adjustments, including normal recurring accruals, necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the nine months ended September 30, 2002 may not be indicative of the results that may be expected for the year ending December 31, 2002.

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 Statement of Financial Accounting Standards ("SFAS") No. 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 No. 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.

The Company amortized $17.9 million and $14.7 million of deferred insurance policy acquisition costs during the nine months ended September 30, 2002 and 2001, respectively.

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.

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.

Note 2 - Short- and long-term debt

During the second quarter of 2001, the Company established a $200 million commercial paper program, which was rated "A-1" by Standard and Poors ("S&P") and "P-1" by Moody's. At September 30, 2002, the Company had $134.0 million in commercial paper outstanding with a weighted average interest rate of 1.85%.

The Company had a $285 million credit facility available at September 30, 2002, expiring in 2006. Under the terms of the credit facility, as amended in July 2002, the Company must maintain shareholders' equity of at least $2.25 billion and Mortgage Guaranty Insurance Corporation ("MGIC") must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders' position (which includes MGIC's surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At September 30, 2002, the Company met these tests. The facility is currently being used as a liquidity back up facility for the outstanding commercial paper. The remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $151 million at September 30, 2002.

In March of 2002, the Company issued, in a public offering, $200 million 6% Senior Notes due in 2007. The notes are unsecured and were rated "A1" by Moody's, "A+" by S&P and "AA-" by Fitch. The Company had Senior Notes outstanding of $500 million at September 30, 2002 and $300 million at September 30, 2001.

Interest payments on all long-term debt (commercial paper is classified as short-term debt) were $17.2 million and $12.8 million for the nine months ended September 30, 2002 and 2001, respectively. At September 30, 2002, the market value of the short- and long-term debt is $680 million.

The Company uses interest rate swaps to hedge interest rate exposure associated with its short- and long-term debt. 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.

In 2000, two of the swaps were amended and designated as fair-value hedges which qualified for short cut accounting. The Company paid an interest rate based on LIBOR and received a fixed rate of 7.5% to hedge the 5 year Senior Notes issued in the fourth quarter of 2000. These swaps were terminated in September 2001. In January 2002, the Company initiated a new swap which was designated as a fair value hedge of the 7.5% Senior Notes. This swap was terminated in June 2002. The remaining swap was also amended during 2000 and designated as a cash flow hedge. In May 2002, this swap was amended to coincide with the new credit facility. Under the terms of the swap contract, the Company pays a fixed rate of 5.43% and receives an interest rate based on LIBOR. The swap has an expiration date coinciding with the maturity of the credit facility 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. Expenses on the swaps for the nine months ended September 30, 2002 and 2001 of approximately $1.0 million and $2.0 million, respectively, were included in interest expense. The cash flow swap outstanding at September 30, 2002 and December 31, 2001 is evaluated quarterly using regression analysis with any ineffectiveness being recorded as an expense. To date this evaluation has not resulted in any hedge ineffectiveness. The swaps are subject to

credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

Note 3 - 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. Business ceded to reinsurers also includes certain business written in 2002 through the bulk channel as discussed under "Management's Discussion and Analysis--Three Months Ended September 30, 2002 Compared With Three Months Ended September 30, 2001" in Item 2 of this Report. 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.

Note 4 - 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, in June 2001, the Federal District Court for the Southern District of Georgia, before which Downey et. al. v. MGIC was pending, issued a final order approving a settlement agreement and certified a nationwide class of borrowers. In the fourth quarter of 2000, the Company recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. Due to appeals by certain class members and members of classes in two related cases, payments to borrowers in the settlement are delayed pending the outcome of the appeals. 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 settlement is not fully implemented, 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.

Note 5 - Earnings per share

The Company's basic and diluted earnings per share ("EPS") have been calculated in accordance with SFAS No. 128, Earnings Per Share. The following is a reconciliation of the weighted-average number of shares used for basic EPS and diluted EPS.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(Shares in thousands)			
Weighted-average shares - Basic EPS	102,825	107,305	104,793	107,099
Common stock equivalents	536	913	718	937
Weighted-average shares - Diluted EPS	103,361	108,218	105,511	108,036

Note 6 - New accounting standards

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 did not have a significant effect on the Company's results of operations or its financial position due to its limited use of derivative instruments.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), Business Combinations, and No. 142 ("SFAS 142"), Goodwill and Other Intangible Assets. SFAS 141 is effective for all business combinations initiated after September 30, 2001 and SFAS 142 is effective for fiscal years beginning after December 15, 2001. In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, which is effective for fiscal years beginning after December 15, 2001.

The adoption of these pronouncements did not have a significant effect on the Company's results of operations or its financial position. The Company has an immaterial amount of goodwill.

Note 7 - Comprehensive income

The Company's total comprehensive income, as calculated per SFAS No. 130, Reporting Comprehensive Income, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(In thousands of dollars)			
Net income	$151,570	$158,992	$491,693	$478,134
Other comprehensive income	100,814	42,078	150,765	22,873
Total comprehensive income	$252,384	$201,070	$642,458	$501,007
Other comprehensive income (loss) (net of tax):				
Cumulative effect - FAS 133	$ N/A	$ N/A	$ N/A	$ (5,982)
Net derivative gains (losses)	(3,079)	(2,654)	(1,457)	(3,819)
Amortization of deferred losses	270	270	810	810
FAS 115	103,623	44,462	151,412	31,864
Comprehensive gain (loss)	$100,814	$ 42,078	$150,765	$ 22,873

The difference between the Company's net income and total comprehensive income for the nine months ended September 30, 2002 and 2001 is due to the change in unrealized appreciation/depreciation on investments, and the market value adjustment of the hedges, both net of tax.

Note 8 - Accounting for Derivatives and Hedging Activities

Generally, the Company's use of derivatives is limited to entering into interest rate swap agreements intended to hedge its debt financing terms. All derivatives subject to SFAS 133 are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of the fair value of a recognized asset or liability ("fair value" hedge), or as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge). Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a fair-value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk, are recorded in current-period earnings. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a cash-flow hedge are recorded in other comprehensive income, until earnings are affected by the variability of cash flows (e.g. when periodic settlements on a variable-rate asset or liability are recorded in earnings).

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value or cash-flow hedges to specific assets and liabilities on the balance sheet or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in

hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If and when it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Consolidated Operations

Three Months Ended September 30, 2002 Compared With Three Months Ended September 30, 2001

Net income for the three months ended September 30, 2002 was $151.6 million, compared to $159.0 million for the same period of 2001, a decrease of 5%. Diluted earnings per share for the three months ended September 30, 2002 was $1.47, which equaled the $1.47 for the same period last year. Included in diluted earnings per share for the quarter ended September 30, 2002 and 2001 were $0.06 and $0.04, respectively, for realized gains. Adjusted weighted average diluted shares outstanding for the quarter ended September 30, 2002 and 2001 were 103.4 million and 108.2 million, respectively. As used in this report, the term "Company" means the Company and its consolidated subsidiaries, which do not include joint ventures in which the Company has an equity interest.

Total revenues for the third quarter 2002 were $390.8 million, an increase of 15% from the $339.8 million for the third quarter 2001. This increase was primarily attributed to an increase in insurance in force. Also contributing to the increase in revenues was an increase in other revenue. See below for a further discussion of premiums and other revenue.

Losses and expenses for the third quarter were $175.8 million, an increase of 61% from $109.4 million for the same period of 2001. The increase from last year can be attributed to a 133% increase in losses incurred, which primarily related to an increase in delinquent loans, and an aggregate increase in underwriting and interest expenses of 13%, which related to increases in insured volume and debt outstanding, respectively. See below for a further discussion of losses incurred and expenses.

The amount of new primary insurance written by MGIC during the three months ended September 30, 2002 was $21.9 billion, compared to $23.4 billion in the same period of 2001, a decline of $1.5 billion. New insurance written in the bulk channel declined $2.2 billion during the three months ended September 30, 2002 compared to the same period of 2001, as further discussed below. New insurance written on a flow basis increased $700 million during the third quarter of 2002 compared to the corresponding quarter of 2001, with refinance volume approximately equal in the two quarters.

The $21.9 billion of new primary insurance written during the third quarter of 2002 was offset by the cancellation of $19.8 billion of insurance in force, and resulted in a net increase of $2.1 billion in primary insurance in force, compared to new primary insurance written of $23.4 billion, the cancellation of $15.4 billion of insurance in force and a net increase of $8.0 billion in primary insurance in force during the third quarter of 2001.

Direct primary insurance in force was $196.6 billion at September 30, 2002 compared to $183.9 billion at December 31, 2001 and $179.6 billion at September 30, 2001.

In addition to providing primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during the three months ended September 30, 2002 and September 30, 2001 was $68 million and $133 million, respectively. The Company's direct pool risk in force was $2.2 billion at September 30, 2002, $2.0 billion at December 31, 2001, and was $1.8 billion at September 30, 2001.

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. The third quarters of 2001 and 2002 were both affected by a declining home mortgage interest rate environment. Cancellations increased during the third quarter of 2002 compared to the cancellation levels during the third quarter of 2001, which resulted in a decrease in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 58.9% at September 30, 2002 from 61.0% at December 31, 2001 and 67.7% at September 30, 2001. In view of continued strong refinance activity, the persistency rate at December 31, 2002 could decline from the rate at September 30, 2002.

New insurance written for bulk transactions was $4.5 billion during the third quarter of 2002 compared to $6.7 billion for the same period a year ago and average quarterly writings of $6.1 billion for the three quarters subsequent to the third quarter of 2001. The Company's writings of bulk insurance are in part sensitive to the volume of securitization transactions involving non-conforming loans. A securitization involves the sale of whole loans held by the securitizer. The Company believes that the relatively high historical spread between the cost of funding mortgages and mortgage coupon rates during the third quarter of 2002, as well as other factors present in the whole loan market during the quarter, resulted in increased prices for whole loans which had the effect of reducing the supply of mortgages available for current securitization. The Company's writings of bulk insurance are also sensitive to competition from other methods of providing credit enhancement in a securitization, including the willingness of investors to purchase tranches of the securitization that involve a higher degree of credit risk. The Company believes that the relatively low historical yield levels prevailing in the bond market during the third quarter of 2002 resulted in more investors purchasing such tranches.

The Company expects that the loans that are included in bulk transactions will have delinquency and claim rates in excess of those on the Company's flow business and will have lower persistency than the Company's flow business. While the Company believes it has priced its bulk business to generate acceptable returns, there can be no assurance that the assumptions underlying the premium rates adequately address the risk of this business. In the first quarter of 2002, the Company entered into a preliminary agreement providing that new insurance written in 2002 through the bulk channel on Alt A, subprime and certain other loans would be subject to quota share reinsurance of approximately 15% provided by a third party reinsurer. The reinsurance transaction was contingent on the Company receiving credit for the reinsurance under insurance regulation. Under the

Company's interpretation of the preliminary agreement, confirmation of such credit was required to be received by September 30, 2002. This deadline was not met and the Company gave the reinsurer notice that the agreement was terminated. The reinsurer has disputed the Company's interpretation. Given the dispute, ceded premiums for the third quarter of 2002 include $5.6 million of premiums that would have been ceded had this agreement not been terminated.

Net premiums written increased 11% to $301.4 million during the third quarter of 2002, from $271.0 million during the third quarter of 2001. Net premiums earned increased 13% to $299.0 million for the third quarter of 2002 from $264.8 million for the same period in 2001. The increases were primarily a result of the growth in insurance in force and a higher percentage of premiums on products with higher premium rates, principally on insurance written through the bulk channel, offset in part by an increase in ceded premiums.

Premiums ceded in captive mortgage reinsurance arrangements and in risk sharing arrangements with the GSEs were $27.7 million in the third quarter of 2002, compared to $18.3 million in the same period of 2001. During the second quarter of 2002, approximately 52% of the Company's new insurance written on a flow basis was subject to such arrangements compared to 50% for the year ended December 31, 2001. (New insurance written through the bulk channel is not subject to such arrangements.) The percentage of new insurance written during a quarter covered by such arrangements normally increases after the end of the quarter because, among other reasons, the transfer of a loan in the secondary market can result in a mortgage insured during a quarter becoming part of such an arrangement in a subsequent quarter. Therefore, the percentage of new insurance written covered by such arrangements is not shown for the current quarter. Premiums ceded in such arrangements are reported as ceded in the quarter in which they are ceded regardless of when the mortgage was insured.

A substantial portion of the Company's captive mortgage reinsurance arrangements are structured on an excess of loss basis, with the remainder structured on a quota share basis. The Company has advised customers that, effective March 31, 2003, it will not participate in excess of loss risk sharing arrangements with net premium cessions in excess of 25% or in quota share arrangements with net premium cessions in excess of 40%. While the amount of premium ceded during the third quarter under risk sharing agreements that exceed these thresholds is not material to direct premiums written during the quarter, captive mortgage reinsurance programs are competitively important, with larger lenders generally having programs with higher premium cessions (and commensurately higher levels of risk sharing). Hence, there can be no assurance that the Company's position with respect to such risk sharing arrangements will not result in a reduction in business from such lenders.

Investment income for the third quarter of 2002 was $51.0 million, a slight increase over the third quarter of 2001. This increase was the result of increases in the amortized cost of average invested assets to $4.3 billion for the third quarter of 2002 from $3.8 billion for the third quarter of 2001, an increase of 15%, offset by a decrease in the

investment yield. The portfolio's average pre-tax investment yield was 4.8% for the third quarter of 2002 and 5.5% for the same period in 2001. The portfolio's average after-tax investment yield was 4.3% for the third quarter of 2002 and 4.7% for the same period in 2001. The Company's net realized gains were $8.9 million for the three months ended September 30, 2002 compared to net realized gains of $7.2 million during the same period in 2001, resulting primarily from the sale of fixed maturities.

Other revenue, which is composed of various components, was $31.9 million for the third quarter of 2002, compared with $16.8 million for the same period in 2001. The increase is primarily the result of increased equity earnings from Credit-Based Asset Servicing and Securitization LLC and its subsidiaries (collectively, "C-BASS") and Sherman Financial Group LLC and its subsidiaries (collectively, "Sherman"), joint ventures with Radian Group Inc., and from contract underwriting.

C-BASS is a mortgage investment and servicing firm specializing in credit-sensitive single-family residential mortgage assets and residential mortgage-backed securities. C-BASS principally invests in whole loans (including subprime loans) and mezzanine and subordinated residential mortgage-backed securities backed by non-conforming residential mortgage loans. C-BASS's principal sources of revenues during the last three years and through the third quarter of 2002 were gain on securitization and liquidation of mortgage-related assets, servicing fees and net interest income (including accretion on mortgage securities), which revenue items were offset by unrealized losses. C-BASS's results of operations are affected by the timing of its securitization transactions. Virtually all of C-BASS's 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. These estimates reflect the net present value of the future cash flows from the assets, which in turn depend on, among other things, estimates of the level of losses on the underlying mortgages and prepayment activity by the mortgage borrowers. Market value adjustments could impact C-BASS's results of operations and the Company's share of those results.

Total consolidated assets of C-BASS at September 30, 2002 and December 31, 2001 were approximately $2.2 billion and $1.3 billion. Total liabilities at September 30, 2002 and December 31, 2001 were approximately $1.9 billion and $1.0 billion, respectively, of which approximately $1.6 billion and $0.9 billion, respectively, were funding arrangements, including accrued interest, virtually all of which mature within one-year or less. For the three months ended September 30, 2002 and 2001, revenues of approximately $58 million and $39 million, respectively, and expenses of approximately $38 million and $27 million, respectively, resulted in income before tax of approximately $20 million and $12 million, respectively. C-BASS had income before tax for the first and second quarters of 2002 of approximately $35 million and $47 million, respectively.

Sherman is engaged in the business of purchasing and servicing delinquent consumer assets such as credit card loans and Chapter 13 bankruptcy debt. A substantial portion of Sherman's consolidated assets are investments in consumer receivable portfolios that do not have readily ascertainable market values. Sherman's

results of operations are sensitive to estimates by Sherman's management of future collections on these portfolios.

Because C-BASS and Sherman are accounted for by the equity method, they are not consolidated with the Company and their assets and liabilities do not appear in the Company's balance sheet. The "investments in joint ventures" item in the Company's balance sheet reflects the amount of capital contributed by the Company to the joint ventures plus the Company's share of their net income (or minus its share of their net loss) and minus capital distributed to the Company by the joint ventures.

As discussed in "Note 1 - Loss Reserves" to the Company's consolidated financial statements, consistent with industry practice, loss reserves for future claims are established only for loans that are currently delinquent. (The terms "delinquent" and "default" are used interchangeably by the Company.) Loss reserves are established by management's estimating the number of loans in the Company's inventory of delinquent loans that will not cure their delinquency (historically, a substantial majority of delinquent loans have cured), which is referred to as the claim rate, and further estimating the amount that the Company will pay in claims on the loans that do not cure, which is referred to as claim severity. Estimation of losses that the Company will pay in the future is inherently judgmental. The conditions that affect the claim rate and claim severity include the current and future state of the domestic economy and the current and future strength of local housing markets.

Net losses incurred increased 133% to $101.1 million in the third quarter of 2002, from $43.5 million in the same period of 2001. Net losses incurred in the first and second quarters of 2002 were $59.7 million and $64.4 million, respectively. The increase in the third quarter was due to an increase in the primary notice inventory related to bulk default activity and defaults arising from the early development of the 2000 and 2001 flow books of business as well as a modest increase in losses paid. The average claim paid for the quarter ended September 30, 2002 was $19,737 compared to $17,700 for the same period in 2001. In recent quarters, the primary determinant of incurred losses has been the level and composition of the notice inventory, rather than claim severity. Depending on the level and composition of the notice inventory at December 31, 2002, incurred losses in the fourth quarter of 2002 could be higher than in the third quarter.

Information about the composition of the primary insurance default inventory at September 30, 2002, December 31, 2001 and September 30, 2001 appears in the table below.

	September 30, 2002	December 31, 2001	September 30, 2001
Total loans delinquent	67,114	54,653	48,820
Percentage of loans delinquent (default rate)	4.04%	3.46%	3.14%
Flow loans delinquent	39,292	36,193	33,109
Percentage of flow loans delinquent (default rate)	2.85%	2.65%	2.41%
Bulk loans delinquent	27,822	18,460	15,711
Percentage of bulk loans delinquent (default rate)	9.97%	8.59%	8.73%
Subprime credit loans delinquent*	23,086	15,649	13,595
Percentage of subprime credit loans delinquent (default rate)	12.38%	11.60%	11.78%

* A portion of subprime credit loans is included in flow loans delinquent and the remainder is included in bulk loans delinquent. Most subprime credit loans are written through the bulk channel.

The pool notice inventory increased from 23,623 at December 31, 2001 to 25,592 at September 30, 2002; the pool notice inventory was 20,760 at September 30, 2001.

At September 30, 2002, 79% of MGIC's insurance in force was written subsequent to December 31, 1998. Based on the Company's flow business, the highest claim frequency years have typically been the third through fifth year 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 bulk loans will occur earlier than in this historical pattern.

Underwriting and other expenses increased to $64.6 million in the third quarter of 2002 from $58.3 million in the same period of 2001, an increase of 11%. The increase can be attributed to increases in expenses related to increased volume. In view of continued strong refinance activity, the Company expects underwriting and other expenses in the fourth quarter of 2002 will increase over the level of the third quarter of 2002. The Company is not undertaking any obligation to provide an update of this expectation should it subsequently change.

Interest expense increased to $10.1 million in the third quarter of 2002 from $7.6 million during the same period in 2001 primarily due to an increase in debt outstanding offset by lower weighted-average interest rates during the three months ended September 30, 2002 compared to the comparable period in 2001.

The consolidated insurance operations loss ratio was 33.8% for the third quarter of 2002 compared to 16.4% for the third quarter of 2001. The consolidated insurance operations expense and combined ratios were 14.1% and 47.9%, respectively, for the third quarter of 2002 compared to 16.0% and 32.4% for the third quarter of 2001.

The effective tax rate was 29.5% in the third quarter of 2002, compared to 31.0% in the third quarter of 2001. During both periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investments. The lower

effective tax rate in 2002 resulted from a higher percentage of total income before tax being generated from the tax-preferenced investments.

Nine months Ended September 30, 2002 Compared With Nine months Ended September 30, 2001

Net income for the nine months ended September 30, 2002 was $491.7 million, compared to $478.1 million for the same period of 2001, an increase of 3%. Diluted earnings per share for the nine months ended September 30, 2002 was $4.66 compared with $4.43 in the same period last year, an increase of 5%. Included in diluted earnings per share for the nine months ended September 30, 2002 and 2001 were $0.14 and $0.17, respectively, for realized gains. Adjusted weighted average diluted shares outstanding for the nine months ended September 30, 2002 and 2001 were 105.5 million and 108.0 million, respectively.

Total revenues for the first nine months of 2002 were $1,150.2 million, an increase of 15% from the $999.9 million through the same period in 2001. This increase was primarily attributed to an increase in insurance in force. Also contributing to the increase in revenues was an increase in other revenue offset by a decrease in realized gains. See below for a further discussion of premiums and other revenue.

Losses and expenses through September 30, 2002 were $443.9 million, an increase of 48% from $300.9 million for the same period of 2001. The increase from last year can be attributed to an increase in losses of 106%, which primarily related to an increase in notice inventories, and an aggregate increase in underwriting and interest expenses of 14%, which related to increases in insured volume, in debt outstanding and in contract underwriting, respectively. See below for a further discussion of losses incurred and expenses.

The amount of new primary insurance written by MGIC during the nine months ended September 30, 2002 was $67.3 billion, compared to $62.5 billion in the same period of 2001, an increase of $4.8 billion. New insurance written in the bulk channel decreased $3.0 billion during the first nine months of 2002 compared to the same period a year ago. New insurance written on a flow basis increased $7.8 billion during the nine months ended September 30, 2002 compared to the same period in 2001, with refinance volume approximately equal in the two periods.

The $67.3 billion of new primary insurance written during the first nine months of 2002 was offset by the cancellation of $54.6 billion of insurance in force, and resulted in a net increase of $12.7 billion in primary insurance in force, compared to new primary insurance written of $62.5 billion, the cancellation of $43.1 billion of insurance in force and a net increase of $19.4 billion in primary insurance in force through the same period in 2001.

New pool risk written during the first nine months ended September 30, 2002 and September 30, 2001 was $258 million and $291 million, respectively. The Company's direct pool risk in force was $2.2 billion at September 30, 2002, $2.0 billion at December 31, 2001, and was $1.8 billion at September 30, 2001.

Cancellations increased during the first nine months of 2002 compared to the cancellation levels of 2001 which resulted in a decrease in the MGIC persistency rate to 58.9% at September 30, 2002 from 61.0% at December 31, 2001 and 67.7% at September 30, 2001.

Net premiums written increased 15% to $871.1 million during the nine months ended September 30, 2002, from $757.5 million during the first nine months of 2001. Net premiums earned increased 14% to $871.6 million for the first nine months of 2002 from $763.3 million for the same period in 2001. The increases were primarily a result of the growth in insurance in force and a higher percentage of premiums on products with higher premium rates, principally on insurance written though the bulk channel, offset in part by an increase in ceded premiums. Premiums ceded in captive mortgage reinsurance arrangements and in risk sharing arrangements with the GSEs were $72.7 million through September 30, 2002 compared to $47.7 in the same period of 2001. Premiums ceded during the nine months ended September 30, 2002 under the disputed bulk reinsurance transaction referred to under "Three Months Ended September 30, 2002 Compared With Three Months Ended September 30, 2001" were $10.4 million.

Investment income for the first nine months of 2002 was $154.6 million, a slight increase over the $152.6 million for the same period of 2001. This increase was the result of increases in the amortized cost of average invested assets to $4.2 billion for the first nine months of 2002 from $3.6 billion for the same period in 2001, an increase of 15% offset by a decrease in the investment yield. The portfolio's average pre-tax investment yield was 4.9% for the first nine months of 2002 and 5.6% for the same period in 2001. The portfolio's average after-tax investment yield was 4.4% through September 30, 2002 and 4.7% for the same period in 2001. The Company's net realized gains were $22.0 million for the nine months ended September 30, 2002 compared to net realized gains of $28.8 million during the same period in 2001, resulting primarily from the sale of fixed maturities.

Other revenue was $102.0 million for the first nine months of 2002, compared with $55.1 million for the same period in 2001. The increase is primarily the result of increases in equity earnings from C-BASS and Sherman and an increase in contract underwriting revenue.

For the nine months ended September 30, 2002 and 2001, C-BASS had revenues of approximately $218 million and $160 million, respectively, and expenses of approximately $116 million and $90 million, respectively, which resulted in income before tax of approximately $102 million and $70 million, respectively.

Net losses incurred increased 106% to $225.2 million in the first nine months of 2002, from $109.1 million in the same period of 2001. The increase was due to an increase in the primary notice inventory related to bulk default activity and defaults arising from the early development of the 2000 and 2001 flow books of business, as well as a

modest increase in losses paid. The average claim paid for the nine months ended September 30, 2002 was $19,731 compared to $18,286 for the same period in 2001. For information about the notice inventory and default rates, see "Three Months Ended September 30, 2002 Compared With Three Months Ended September 30, 2001".

Underwriting and other expenses increased to $192.2 million in the first nine months of 2002 from $168.5 million in the same period of 2001, an increase of 14%. The increase can be attributed to increases in both insurance and non-insurance expenses related to increased volume and contract underwriting.

Interest expense increased to $26.5 million through September 30, 2002 from $23.3 million during the same period in 2001 primarily due to an increase in the debt outstanding offset by lower weighted-average interest rates during the nine months ended September 30, 2002 compared to the comparable period in 2001.

The consolidated insurance operations loss ratio was 25.8% for the first nine months of 2002 compared to 14.3% for the first nine months of 2001. The consolidated insurance operations expense and combined ratios were 14.7% and 40.5%, respectively, for the first nine months of 2002 compared to 16.4% and 30.7% for the first nine months of 2001.

The effective tax rate was 30.4% through September 30, 2002, compared to 31.6% in the same period of 2001. During both periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investments. The lower effective tax rate in 2002 resulted from a higher percentage of total income before tax being generated from the tax-preferenced investments.

Other Matters

In June 2001, the Federal District Court for the Southern District of Georgia, before which Downey et. al. v. MGIC was pending, issued a final order approving a settlement agreement and certified a nationwide class of borrowers. In the fourth quarter of 2000, the Company recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. Due to appeals by certain class members and members of classes in two related cases, payments to borrowers in the settlement are delayed pending the outcome of the appeals. 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. There can be no assurance that the standards established by the injunction will be determinative of compliance with the Real Estate Settlement Procedures Act were additional litigation to be brought in the future.

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 settlement is not fully implemented, 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.

Under the Office of Federal Housing Enterprise Oversight's ("OFHEO") risk-based capital stress test for the GSEs, 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 3.5% reduction over the 10-year period of the stress test, while claim payments from a `AA' rated insurer, such as MGIC, are subject to an 8.75% 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, there is an incentive for the GSEs to use private mortgage insurance provided by a `AAA' rated insurer.

Financial Condition

Consolidated total investments and cash balances increased approximately $558 million to $4.7 billion at September 30, 2002 from $4.1 billion at December 31, 2001, primarily due to net cash provided by operating activities, unrealized gains on securities marked to market of $233 million and the proceeds of the sale of the 6% Senior Notes discussed under "Liquidity and Capital Resources" below, offset by funds used to repurchase Common Stock discussed under "Liquidity and Capital Resources" below. The Company generated net cash from operating activities of $477.3 million for the first nine months of 2002, compared to $522.1 million generated during the same period in 2001. The decrease in operating cash flows during the first nine months of 2002 compared to 2001 is due primarily to increases in losses paid, offset by increases in renewal premiums, investment income and other revenue as discussed above.

As of September 30, 2002, the Company had $194.0 million of short-term investments with maturities of 90 days or less, and 83% of the portfolio was invested in tax-preferenced securities. In addition, at September 30, 2002, based on book value, the Company's fixed income securities were approximately 99% invested in 'A' rated and above, readily marketable securities, concentrated in maturities of less than 15 years. At September 30, 2002, the Company had $18.9 million of investments in equity securities compared to $20.7 million at December 31, 2001.

At September 30, 2002, the Company's derivative financial instruments in its investment portfolio were immaterial. 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 September 30, 2002, the average duration of the Company's fixed income investment portfolio was 5.7 years. This means that for each instantaneous parallel shift in the yield curve of 100 basis points there would be an approximate 5.7% change in the market value of the Company's fixed income portfolio.

The Company's investments in joint ventures increased $38.6 million from $161.7 million at December 31, 2001 to $200.3 million at September 30, 2002 primarily as a result of equity earnings of $59.0 million, offset by $20.1 million of dividends received. The joint ventures are reported on the equity method. Only the Company's investment in the joint ventures appears on the Company's balance sheet.

Consolidated loss reserves increased to $667.2 million at September 30, 2002 from $613.7 million at December 31, 2001, reflecting increases in the primary and pool insurance notice inventories, as 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 $0.2 million from $174.5 million at December 31, 2001, to $174.3 million at September 30, 2002, primarily reflecting the continued high level of monthly premium policies written for which there is no unearned premium.

Consolidated shareholders' equity increased to $3.3 billion at September 30, 2002, from $3.0 billion at December 31, 2001, an increase of 10%. This increase consisted of $491.7 million of net income during the first nine months of 2002 and other comprehensive income, net of tax, of $150.8 million, offset by $319.2 million from the repurchase of treasury stock (net of reissuances), dividends declared of $7.8 million and $0.6 million from the consolidation of a previously unconsolidated joint venture.

Liquidity and Capital Resources

The Company's consolidated sources of funds consist primarily of premiums written and investment income. The Company generated positive cash flows from operating activities of approximately $477.3 million and $522.1 million for the nine months ended September 30, 2002 and 2001, 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. Substantially all of the investment portfolio securities are held by the Company's insurance subsidiaries.

During the third quarter of 2001, the Company established a $200 million commercial paper program, which was rated "A-1" by Standard and Poors ("S&P") and "P-1" by Moody's. At September 30, 2002, the Company had $134.0 million in commercial paper outstanding with a weighted average interest rate of 1.85%. S&P

affirmed the "A-1" rating in February 2002 and Moody's affirmed the "P-1" rating in March 2002. If the Company's commercial paper rating were to fall below "A-1" or "P-1", the Company would likely have difficulty selling commercial paper and any commercial paper that could be sold would require an interest rate in excess of the "A-1/P-1" rating.

The Company had a $285 million credit facility available at September 30, 2002 expiring in 2006. Under the terms of the credit facility as amended in July 2002, the Company must maintain shareholders' equity of at least $2.25 billion and MGIC must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders position (which includes MGIC's surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At September 30, 2002, the Company met these tests. The facility is currently being used as a liquidity back up facility for the outstanding commercial paper. The remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $151 million at September 30, 2002.

In March of 2002, the Company issued, in a public offering, $200 million 6% Senior Notes due in 2007. The notes are unsecured and were rated "A1" by Moody's, "A+" by S&P and "AA-" by Fitch. The Company had Senior Notes outstanding of $500 million at September 30, 2002 and $300 million at September 30, 2001.

In January 2002, the Company announced a share repurchase program covering up to 5.5 million shares in addition to the 800,000 shares remaining from the prior repurchase program. During the first nine months of 2002, the Company repurchased 5.8 million shares at a cost of $347.0 million. (The number of shares and the cost of the repurchases described in this paragraph include trades effected on or prior to September 30, 2002 but which settled thereafter.) In October 2002, the Company announced a new share repurchase program covering up to 5 million shares in addition to 300,000 shares remaining from the January 2002 program. The Company's announcement with respect to the new program said it reserves the right not to purchase any shares, or if shares are purchased, to discontinue further purchases. From mid-1997 through September 2002, the Company has repurchased 20.8 million shares of Common Stock at a cost of $1.1 billion. Funds for the shares repurchased by the Company since mid-1997 have been provided through a combination of debt, including the Senior Notes and the commercial paper, and internally generated funds.

The commercial paper, back-up credit facility and the Senior Notes are obligations of the Company and not of its subsidiaries. The Company is a holding company and the payment of dividends from its insurance subsidiaries is restricted by insurance regulation. MGIC is the principal source of dividend-paying capacity. As a result of a $150 million dividend paid to the Company by MGIC in February 2002, MGIC may not pay additional dividends until February 2003 without the approval of the Office of the Commissioner of Insurance of the State of Wisconsin.

Interest payments on all long-term debt (commercial paper is classified as short-term debt) were $17.2 million and $12.8 million for the nine months ended September 30, 2002 and 2001, respectively. At September 30, 2002, the market value of the short- and long-term debt is $680 million.

The Company uses interest rate swaps to hedge interest rate exposure associated with its short- and long-term debt. 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.

In 2000, two of the swaps were amended and designated as fair-value hedges which qualified for short cut accounting. The Company paid an interest rate based on LIBOR and received a fixed rate of 7.5% to hedge the 5 year Senior Notes issued in the fourth quarter of 2000. These swaps were terminated in September 2001. In January 2002, the Company initiated a new swap which was designated as a fair value hedge of the 7.5% Senior Notes. This swap was terminated in June 2002. The remaining swap was also amended during 2000 and designated as a cash flow hedge. In June 2002, this swap was amended to coincide with the new credit facilities. Under the terms of the swap contract, the Company pays a fixed rate of 5.43% 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. Expenses on the swaps for the nine months ended September 30, 2002 and 2001 of approximately $1.0 million and $2.0 million, respectively, were included in interest expense. The cash flow swap outstanding at September 30, 2002 and December 31, 2001 is evaluated quarterly using regression analysis with any ineffectiveness being recorded as an expense. To date this evaluation has not resulted in any hedge ineffectiveness. The swaps are subject to credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

The Company's principal category of contingent liabilities is its obligation to pay claims under MGIC's mortgage guaranty insurance policies. At September 30, 2002, MGIC's direct (before any reinsurance) primary and pool risk in force (which is the unpaid principal balance of insured loans as reflected in the Company's records multiplied by the coverage percentage, and taking account of any loss limit) was approximately $49.2 billion. In addition, as part of its contract underwriting activities, the Company is responsible for the quality of its underwriting decisions in accordance with the terms of the contract underwriting agreements with customers. Through September 30, 2002, the cost of remedies provided by the Company to customers for failing to meet the standards of the contracts has not been material. However, the decreasing trend of home mortgage interest rates over the last several years may have mitigated the effect of some of these costs since the general effect of lower interest rates can be to increase the

value of certain loans on which remedies are provided. There can be no assurance that contract underwriting remedies will not be material in the future.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 8.8:1 at September 30, 2002 compared to 9.1:1 at December 31, 2001. The decrease was due to MGIC's increased policyholders' reserves, partially offset by the net additional risk in force of $2.1 billion, net of reinsurance, during the first nine months of 2002.

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.

<u>As the domestic economy deteriorates, more homeowners may default and the Company's losses may increase by a greater amount than assumed.</u>

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. A deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values.

<u>Competition or changes in the Company's relationships with its customers could reduce the Company's revenues or increase its losses.</u>

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. In 1996, the Company shared risk under risk sharing arrangements with respect to virtually none of its new insurance written. During the three months ended June 30, 2002, about 52% of the Company's new insurance written on a flow basis was subject to risk sharing 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. The Company's top ten customers generated 27.0% of the new primary insurance that it wrote on a flow basis in 1997 compared to 38.4% in 2001.

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

<u>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.</u>

In each year, most of the Company's premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force (which is also generally referred to as persistency) is an important determinant of revenues. The factors affecting the length of time the Company's 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.

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

If the volume of low down payment home mortgage originations declines, the amount of insurance that the Company writes could decline which would reduce our 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 can affect whether refinance loans have loan-to-value ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

While we have not experienced lower volume in recent years other than as a result of declining refinancing activity, one of the risks we face is that higher interest 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.

The amount of insurance the Company writes could be adversely affected if lenders and investors select alternatives to private mortgage insurance.

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.

While no data is publicly available, the Company believes that due to the current low interest rate environment and favorable economic conditions, lenders and investors are making 80-10-10 loans at a somewhat higher percentage than they did during the past year. Although during 2001 and 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. Investors are using reduced mortgage insurance coverage on a higher percentage of loans that we insure than they had over the last several years.

<u>Changes in the business practices of Fannie Mae and Freddie Mac could reduce the Company's revenues or increase its losses.</u>

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 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.

<u>Net premiums written could be adversely affected if a proposed regulation by the Department of Housing and Urban Development under the Real Estate Settlement Procedures Act is adopted.</u>

The regulations of the Department of Housing and Urban Development under the Real Estate Settlement Procedures Act prohibit paying lenders for the referral of settlement services, including mortgage insurance, and prohibit lenders from receiving such payments. In July 2002, the Department of Housing and Urban Development proposed a regulation that would exclude from these anti-referral fee provisions settlement services included in a package of settlement services offered to a borrower at a guaranteed price. If mortgage insurance is required on a loan, the package must include any mortgage insurance premium paid at settlement. Although certain state insurance regulations prohibit an insurer's payment of referral fees, adoption of this regulation by the Department of Housing and Urban Development could adversely affect the Company's revenues to the extent that lenders offered such packages and received value from the Company in excess of what they could have received were the anti-referral fee provisions of the Real Estate Settlement Procedures Act to apply and if such state regulations were not applied to prohibit such payments.

<u>The mortgage insurance industry is subject to litigation risk.</u>

In recent years, consumers have brought a growing number of lawsuits against home mortgage lenders and settlement service providers. As of the end of September 2002, seven mortgage insurers, including the Company's MGIC subsidiary, were involved in litigation alleging violations of the Real Estate Settlement Procedures Act. MGIC and two other mortgage insurers entered into an agreement to settle the cases against them in December 2000, and another mortgage insurer entered into a comparable settlement agreement in February 2002. In June 2001, the Court entered a final order approving the settlement to which MGIC and the other two insurers are parties, although due to appeals challenging certain aspects of this settlement, the final implementation of the settlement will not occur until the appeals are resolved. The Company took a $23.2 million pretax charge in 2000 to cover MGIC's share of the estimated costs of the settlement. While MGIC's 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, MGIC may still be subject to future litigation under the Real Estate Settlement Procedures Act.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At September 30, 2002, the Company's derivative financial instruments in its investment portfolio were immaterial. The Company's philosophy is to invest 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 September 30, 2002, the effective duration of the Company's fixed income investment portfolio was 5.7 years. This means that for each instantaneous parallel shift in the yield curve of 100 basis points there would be an approximate 5.7% change in the market value of the Company's fixed income investment portfolio. The Company's borrowings under the commercial paper program are subject to interest rates that are variable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" for a discussion of the Company's interest rate swaps.

ITEM 4. CONTROLS AND PROCEDURES

(a) The Company's principal executive officer and principal financial officer have each concluded that, based on his evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended), as of a date within 90 days of the filing of this Quarterly Report on Form 10-Q, such controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

(b) There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the last evaluation of these controls, which was made in connection with the preparation of the Company's financial statements for the year ended December 31, 2001.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - The exhibits listed in the accompanying Index to Exhibits are filed as part of this Form 10-Q. The Company is a party to various agreements regarding long-term debt that are not filed as exhibits pursuant to Reg. S-K Item 602 (b)(4)(iii)(A). The Company hereby agrees to furnish a copy of such agreements to the Commission upon its request.

(b) Reports on Form 8-K - A report on Form 8-K dated August 12, 2002 was filed under Item 5 Other Events and Regulation FD Disclosure. A report on Form 8-K dated August 14, 2002 was filed under Item 9 Regulation FD Disclosure.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on November 14, 2002.

MGIC INVESTMENT CORPORATION

\s\ J. Michael Lauer

J. Michael Lauer
Executive Vice President and
Chief Financial Officer

\s\ Joseph J. Komanecki

Joseph J. Komanecki
Senior Vice President, Controller and
Chief Accounting Officer

I, Curt S. Culver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGIC Investment Corporation ("the registrant").

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d -14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most

recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

\s\Curt S. Culver

Curt S. Culver
Chief Executive Officer

I, J. Michael Lauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGIC Investment Corporation ("the registrant").

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d -14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most

recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

\s\ J. Michael Lauer

J. Michael Lauer
Chief Executive Officer

INDEX TO EXHIBITS
(Item 6)

Exhibit Number	Description of Exhibit
10	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors, as amended
11	Statement Re Computation of Net Income Per Share

Exhibit 10

MGIC INVESTMENT CORPORATION
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

Section 1. Purpose

The purpose of the MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors (the "Plan") is to promote the best interests of MGIC Investment Corporation, a Wisconsin corporation (together with any successor thereto, the "Company"), and its shareholders by providing a means to attract and retain directors of the highest capabilities who are not employees of the Company or of any Affiliate (as defined below) and to provide such directors with an opportunity to defer and convert all or any portion of their compensation for services as a member of the Board of Directors of the Company into share units representing an investment in shares of Common Stock of the Company and/or an interest-bearing account for payment upon death, disability, termination of services or designated distribution date.

Section 2. Definitions

As used in the Plan, the following terms shall have the respective meanings set forth below:

(a) "Administrator" shall mean the Secretary of the Company or such other person or persons as the Board of Directors of the Company may designate to administer the Plan.

(b) "Affiliate" shall mean any entity that, directly or through one or more intermediaries, is controlled by, controls, or is under common control with, the Company.

(c) "Commission" shall mean the United States Securities and Exchange Commission or any successor agency.

(d) "Common Stock" shall mean the common stock, $1.00 par value, of the Company.

(e) "Company" is defined in Section 1 hereof.

(f) "Compensation" shall mean those fees paid by the Company to Non-Employee Directors for services rendered on the Board of Directors of the Company or any committee of such Board, including attendance fees, fees for acting as committee chair or member, as well as annual retainer fees.

(g) "Disability" shall mean disability as set forth in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(h) "Distribution Date" shall mean the earliest to occur of the following events:

(i) The Non-Employee Director's death.

(ii) The Non-Employee Director's Disability.

(iii) The termination of the Non-Employee Director's service as a member of the Board of Directors of the Company, whether by retirement or otherwise.

(iv) The date (if any) specified by the Non-Employee Director in accordance with Section 10 hereof.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(j) "Interest-Bearing Account" is defined in Section 8 hereof.

(k) "Non-Employee Director" is defined in Section 5 hereof.

(l) "Notice" is defined in Section 6(a) hereof.

(m) "Plan" is defined in Section 1 hereof.

(n) "Plan Year" shall mean the calendar fiscal year of the Company.

(o) "Rule 16b-3" shall mean Rule 16b-3 as promulgated by the Commission under the Exchange Act, or any successor rule or regulation thereto.

(p) "Share Account" is defined in Section 7(a) hereof.

Section 3. Administration

The Plan shall be administered by the Administrator. Subject to the terms of the Plan and applicable law, the Administrator shall have full power

and authority to interpret the Plan, to prescribe, amend or rescind rules and regulations relating to it and to make all other determinations necessary or advisable for the administration of the Plan. The Plan shall be construed so that transactions under the Plan will be exempt from Section 16(b) of the Exchange Act. Unless otherwise expressly provided in the Plan, all determinations, interpretations and other decisions by the Administrator shall be final, conclusive and binding on all persons.

Section 4. Share Units Subject to Plan

The maximum number of share units (representing shares of Common Stock) that may be issued under the Plan shall be 80,000/1 units, subject to adjustment upon changes in the capitalization of the Company as provided Section 7(d) hereof. Any deferral which would cause such number to exceed 80,000 share units shall be credited to the Interest-Bearing Accounts.

Section 5. Eligibility

Any member of the Company's Board of Directors who is not an employee of the Company or of any Affiliate (a "Non-Employee Director") is eligible to participate in the Plan.

Section 6. Election to Defer Compensation

(a) Each Non-Employee Director may elect to defer all or any portion of his or her Compensation for services rendered during all Plan Year quarters commencing on the first day of the Plan Year quarter following the date of such Non-Employee Director's Notice. Any such deferral election shall be made by written notice to the Company in substantially the form attached hereto as Exhibit A ("Notice"). In the Notice, the Non-Employee Director shall indicate whether the amount to be deferred shall be (i) converted into share units and credited to a Share Account as provided in Section 7 hereof, (ii) credited to an Interest-Bearing Account as provided in Section 8 hereof, or (iii) credited to a combination of both accounts.

(b) A deferral election (including, without limitation, the amount deferred as specified in each Non-Employee Director's Notice) is irrevocable and will remain in effect as to all future Plan Year quarters and deferred amounts until a Non-Employee Director submits an amended Notice to the Company and such new irrevocable election or revocation becomes effective. Any amended Notice shall be effective with respect to Compensation earned on and after the first day of the Plan Year quarter beginning after the date of the amended Notice.

Section 7. Bookkeeping Share Unit Accounts

(a) The Company shall establish and maintain a bookkeeping share unit account ("Share Account") for each Non-Employee Director participating in the Plan. The Share Account shall reflect all entries required to be made pursuant to the

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1 Reflects adjustments for two-for-one stock splits in December, 1993 and June, 1997.

Non-Employee Director's Notice and amended Notices, if any, and pursuant to this Plan.

(b) At the end of each Plan Year quarter, a Non-Employee Director's Share Account shall be credited with a number of share units equal to (i) the portion of the Non-Employee Director's Compensation deferred for such quarter designated in his or her then effective Notice to be converted into share units divided by (ii) the closing price per share of the Common Stock on the New York Stock Exchange on the last trading day of such quarter. Non-Employee Directors shall have no rights as stockholders of the Company with respect to share units credited to their Share Accounts.

(c) Whenever cash dividends or other distributions are paid by the Company on its outstanding Common Stock, there shall be credited to each Non-Employee Director's Share Account additional share units equal to (i) the aggregate dividend or distribution that would be payable on a number of outstanding shares of Common Stock equal to the number of share units in such Non-Employee Director's Share Account on the record date for the dividend divided by (ii) the closing price per share of the Common Stock as reported on the New York Stock Exchange on the last trading day immediately preceding the date of payment of the dividend.

(d) The number of share units credited to each Non-Employee Director's Share Account shall be adjusted as appropriate in the event of any changes in the outstanding Common Stock by reason of any stock dividend, stock split, recapitalization, merger, consolidation, combination, exchange of stock or other similar corporate change.

Section 8. Interest-Bearing Accounts

(a) The Company shall establish and maintain a bookkeeping interest-bearing account ("Interest-Bearing Account") for each Non-Employee Director participating in the Plan. The Interest-Bearing Account shall reflect all entries required to be made pursuant to the Non-Employee Director's Notice and amended Notices, if any, and pursuant to this Plan.

(b) At the end of each Plan Year quarter, a Non-Employee Director's Interest-Bearing Account shall be credited with the portion of the Non-Employee Director's Compensation deferred for such quarter designated in his or her then effective Notice to be credited to his or her Interest-Bearing Account. A Non-Employee Director's Interest-Bearing Account balance at the beginning of each Plan Year quarter shall also be credited at the end of such quarter with interest for the quarter at a rate equal to the Six Month U.S. Treasury Bill Rate determined at the closest preceding January 1 or July 1 of each year.

Section 9. Account Transfer

A Non-Employee Director may not transfer or convert a Share Account to an Interest-Bearing Account or vice versa. Notwithstanding the above or anything in this Plan to the contrary, a Non-Employee Director who has previously deferred Compensation under a Deferred Director Fee Agreement with the Company may elect to convert all or any portion of such previously deferred Compensation into share units, and thereby credit his or her Share Account, by submitting to the Company a written transfer election in substantially the form attached hereto as Exhibit B during the period beginning on the day following public release of financial results for the quarter ending September 30, 1993 and ending on the twentieth day following such date. All amounts previously deferred under the Deferred Director Fee Agreement not so converted into share units will be transferred and credited to the Non-Employee Director's Interest-Bearing Account under this Plan.

Section 10. Distributions

(a) A Non-Employee Director may designate on his or her initial Notice a Distribution Date for the commencement of payment of amounts credited to his or her Share Account and Interest-Bearing Account; provided, however, that any Distribution Date elected by a Non-Employee Director shall not be effective until the first day of the month coincident with or following the date that is six months after the initial Notice or amended Notice, as the case may be. All Distribution Date elections made by Non-Employee Directors are irrevocable and shall remain in effect until another irrevocable Distribution Date election becomes effective.

(b) A Non-Employee Director shall direct in his or her initial Notice whether distributions of the amount(s) accumulated in his or her Share Account and/or Interest-Bearing Account are to be made in (i) a lump sum, payable on the first business day of the calendar month following the applicable Distribution Date, or (ii) up to ten (10) annual installments commencing on the first business day of the calendar month following the applicable Distribution Date and continuing on the appropriate number of consecutive anniversaries of such date. If a Non-Employee Director receives distributions on an installment basis, amounts remaining in his or her Share Account and/or Interest-Bearing Account before payment in full is completed shall continue to be credited, as appropriate, with (i) additional share units in the event cash dividends are paid by the Company and shall be appropriately adjusted in the event of any changes in the outstanding Common Stock in accordance with Sections 7(c) and 7(d), respectively, hereof and/or (ii) interest in accordance with Section 8(b) hereof.

(c) All distributions made pursuant to the Plan shall be made in cash and, if appropriate, will be deemed to be made from the Share Accounts and the Interest-Bearing Accounts pro rata. If a Non-Employee Director has elected that some or all of his or her deferred Compensation be converted into share units as provided in Section 7 hereof, then the Company shall pay on the applicable date an amount in cash equal to the average of the closing price per share of the Common Stock on the New York Stock Exchange for the five (5) consecutive trading days immediately preceding

the date of distribution multiplied by the number of share units (i.e., shares of Common Stock since each unit represents one share) that would be otherwise distributable.

(d) A Non-Employee Director may amend the method by which distributions are made under this Section 10 and Part III of the Notice by submitting an amended Notice to the Company.

(e) If the Distribution Date is the first day of the month following the Non-Employee Director's death or a fixed date which in fact occurs after the Non-Employee Director's death or if at the time of death the Non-Employee Director was receiving distributions in installments, the balance remaining in the Non-Employee Director's Share Account and/or Interest-Bearing Account shall be distributed to such beneficiary or beneficiaries as such Non-Employee Director shall have designated by an instrument in writing filed with the Company prior to the Non-Employee Director's death. All distributions to the Non-Employee Director's beneficiary or beneficiaries shall be in a lump sum and will be made as soon as practicable after the Non-Employee Director's death. In the absence of an effective beneficiary designation, the Non-Employee Director's Share Account and/or Interest-Bearing Account balance(s) shall be distributed to his or her estate.

Section 11. Amendments and Termination.

The Board of Directors of the Company hereby reserves the right to amend this Plan from time to time and to terminate this Plan at any time without the consent of the Non-Employee Directors or their beneficiaries; provided, however, that no amendment or termination may reduce any Share Account and/or Interest-Bearing Account balance accrued on behalf of a Non-Employee Director based on deferrals already made, or divest any Non-Employee Director of rights to which he or she would have been entitled if the Plan had been terminated immediately prior to the effective date of such amendment.

Section 12. General.

(a) Assignment. Neither the Non-Employee Director, nor his or her beneficiary, nor his or her estate shall have any right or power to transfer, assign, pledge, encumber or otherwise dispose of any rights hereunder and any such attempt to assign, transfer, pledge or other conveyance shall not be recognized by the Company. The rights of a Non-Employee Director hereunder are exercisable during the Non-Employee Director's lifetime only by him or her or his or her guardian or legal representative.

(b) Non-Employee Directors' Rights Unsecured. The right of any Non-Employee Director or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Non-Employee Director nor any beneficiary shall have any right, title or interest in or against any amount credited to his or her Share Account, his or her Interest-Bearing

Account or any other specific assets of the Company prior to the payment thereof to such person.

(c) Funding. This Plan is unfunded and is maintained by the Company for the purpose of providing deferred compensation to Non-Employee Directors. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Non-Employee Director or his or her beneficiary, or any other person. The Company may authorize the creation of a trust or other arrangement to assist the Company in meeting the obligations created under the Plan. Any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of the Company hereunder shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

(d) Withholding for Taxes. No later than the date as of which an amount first becomes includable in the gross income of the Non-Employee Director for Federal income tax purposes with respect to any participation under the Plan, the Non-Employee Director shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount.

(e) Costs of Administration. Costs of administration of the Plan will be paid by the Company.

(f) Benefit Statements. The Company shall provide statements with respect to Share Accounts and/or Interest-Bearing Accounts to participating Non-Employee Directors on a periodic basis, but not less than annually, in such form and at such time as it deems appropriate.

(g) Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Wisconsin and applicable federal law.

(h) Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan, such provision shall be stricken as to such jurisdiction or person and the remainder of the Plan shall remain in full force and effect.

(i) Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be

deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 13. Effective Date of the Plan.

The Plan shall be effective as of August 1, 1993.

Exhibit A

NOTICE OF ELECTION TO DEFER COMPENSATION UNDER MGIC INVESTMENT CORPORATION DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The undersigned, being a Non-Employee Director of MGIC Investment Corporation (the "Company"), hereby elects to participate in the Company's Deferred Compensation Plan for Non-Employee Directors (the "Deferred Compensation Plan") on the terms and conditions set forth in such Plan and pursuant to the specific instructions below:

I. Percentage of Directors' Compensation to be deferred for services rendered during all Plan Year quarters beginning after the date of this Notice. (Please list percentage of fees you wish to defer)

A. _____________ Annual Retainer Fee

B. _____________ Board and Committee Fees

II. Percentage of Compensation deferred to be converted into share units (and credited to Share Account) and/or credited to Interest-Bearing Account. (Please specify percentages)

A. _____________ Share Units (Share Account)

B. _____________ Interest-Bearing Account

III. Method by which Share Account and/or Interest-Bearing Account balance(s) shall be paid. (Please check one)

A. |_| One lump-sum, payable on first business day of the calendar month following the applicable Distribution Date

..

B. |_| In 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 (please circle one number) annual installments commencing on the first business day of the calendar month following the applicable Distribution Date and continuing on the appropriate number of consecutive anniversaries of such date.

IV. Optional designation of a Distribution Date other than death, Disability or termination of service as a member of the Board of Directors of the Company, whether by retirement or otherwise. (Please specify such other Distribution Date if you desire).

____

V. Designation of Beneficiary under the Deferred Compensation Plan, if any.

Name and Address of Beneficiary:

____
____
____

All capitalized terms used but not defined herein shall have the meanings assigned to them in the Deferred Compensation Plan.

Made and executed as of this ____ day of ____________, 19__.

____
Director

Exhibit B*

TRANSFER ELECTION UNDER MGIC INVESTMENT CORPORATION
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The undersigned, being a non-employee director of MGIC Investment Corporation (the "Company") who has previously deferred Compensation under that certain Deferred Director Fee Agreement, dated as of ___________, with the Company ("Fee Agreement"), hereby elects to convert the portion of such previously deferred compensation set forth below, into share units, and thereby credit his or her Share Account, under the Company's Deferred Compensation Plan for Non-Employee Directors (the "Deferred Compensation Plan").

I. Percentage of Compensation previously deferred under the Fee Agreement to be converted into share units and credited to my Share Account under the Deferred Compensation Plan. (Please specify percentage)

__________________________ Percent

I understand and agree that all amounts deferred under the Fee Agreement not converted to share units as specified above shall be transferred and credited to my Interest-Bearing Account under the Deferred Compensation Plan.

All capitalized terms used but not defined herein shall have the meanings assigned to them in the Deferred Compensation Plan.

Made and executed as of this ______ day of _________________, 19___.

____
Director

*This Election is no longer applicable. It was only available for compensation which was deferred by a director before this Plan became effective.

EXHIBIT 11

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF NET INCOME PER SHARE
Three and Nine Month Periods Ended September 30, 2002 and 2001

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(In thousands of dollars, except per share data)			
BASIC EARNINGS PER SHARE				
Average common shares outstanding	102,825	107,305	104,793	107,099
Net income	$ 151,570	$ 158,992	$ 491,693	$ 478,134
Basic earnings per share	$ 1.47	$ 1.48	$ 4.69	$ 4.46
DILUTED EARNINGS PER SHARE				
Adjusted weighted average shares outstanding:				
Average common shares outstanding	102,825	107,305	104,793	107,099
Net shares to be issued upon exercise of dilutive stock options after applying treasury stock method	536	913	718	937
Adjusted weighted average diluted shares outstanding	103,361	108,218	105,511	108,036
Net income	$ 151,570	$ 158,992	$ 491,693	$ 478,134
Diluted earnings per share	$ 1.47	$ 1.47	$ 4.66	$ 4.43