FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

o **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 (State or other jurisdiction of incorporation or organization)	**39-1486475** (I.R.S. Employer Identification No.)
MGIC PLAZA, 250 EAST KILBOURN AVENUE, MILWAUKEE, WISCONSIN (Address of principal executive offices)	**53202** (Zip Code)

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

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

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

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

Title of Class:	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☑

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 ☑ Noo

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes ☑ No

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2008: Approximately $756 million*

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of February 25, 2009: 124,951,497

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

Document	Part and Item Number of Form 10-K Into Which Incorporated*
Proxy Statement for the 2009 Annual Meeting of Shareholders	Items 10 through 14 of Part III

* In each case, to the extent provided in the Items listed

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PART I

Item 1. Business.

A. General

We are a holding company, and through our wholly owned subsidiary Mortgage Guaranty Insurance Corporation ("MGIC") we are the leading provider of private mortgage insurance in the United States. In 2008, our net premiums written exceeded $1.4 billion and our new insurance written was $48.2 billion. As of December 31, 2008, our insurance in force was $227.0 billion and our risk in force was $59.0 billion. For further information about our results of operations, see our consolidated financial statements in Item 8. MGIC is licensed in all 50 states of the United States, the District of Columbia, Puerto Rico and Guam. In addition to mortgage insurance on first liens, we, through our subsidiaries, provide lenders with various underwriting and other services and products related to home mortgage lending.

Overview of the Private Mortgage Insurance Industry

The private mortgage insurance industry was established in 1957 to provide a private market alternative to federal government insurance programs. Private mortgage insurance covers losses from homeowner defaults on residential first mortgage loans, reducing and, in some instances, eliminating the loss to the insured institution if the homeowner defaults. Private mortgage insurance plays an important role in the housing finance system by expanding home ownership opportunities through helping people purchase homes with less than 20% down payments, especially first time homebuyers. In this annual report, we refer to loans with less than 20% down payments as "low down payment" mortgages or loans. During 2007 and 2008 more than $550 billion of mortgages were insured by private mortgage insurance companies, allowing approximately 4 million borrowers to access low down payment loans. Private mortgage insurance facilitates the sale of low down payment mortgages in the secondary mortgage market to the Federal National Mortgage Association, commonly known as Fannie Mae, and the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac. In this annual report, we refer to Fannie Mae and Freddie Mac collectively as the "GSEs." The GSEs purchase residential mortgages from mortgage lenders and investors as part of their governmental mandate to provide liquidity in the secondary mortgage market and we believe that the GSEs purchased over 50% of the mortgages underlying our flow new insurance written during the last five years. As a result, the private mortgage insurance industry in the U.S. is defined in part by the requirements and practices of the GSEs. These requirements and practices, as well as those of the federal regulators that oversee the GSEs and lenders, impact the operating results and financial performance of companies in the mortgage insurance industry. Private mortgage insurance also reduces the regulatory capital that depository institutions are required to hold against low down payment mortgages.

The U.S. single-family residential mortgage market has historically experienced long-term growth, including an increase in mortgage debt outstanding every year between 1985, when our company began operations, and 2007. The rate of growth in U.S. residential mortgage debt was particularly strong from 2001 through 2006. In 2007, this growth rate began slowing and we believe that U.S. residential mortgage debt outstanding decreased in 2008. During the last several years of this period of increased growth and continuing through 2007, the mortgage lending industry increasingly made home loans at higher loan-to-value ratios, to individuals with higher risk credit profiles and based on less documentation and verification of information provided by the borrower. Beginning in 2007, job creation slowed and the housing markets began slowing in certain areas, with declines in certain other areas. In 2008, payroll employment in the U.S. decreased substantially and almost all areas experienced home price declines. Together, these conditions resulted in significant adverse developments for us and our industry. After

earning an average of approximately $580 million annually from 2004 through 2006 and earnings of $169 million in the first half of 2007, we had net losses of $1.670 billion for full-year 2007 and $518.9 million for 2008. During 2008, the insurer financial strength rating of MGIC was downgraded a number of times by all three rating agencies. See the risk factor titled “Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings” in Item 1A. Beginning in late 2007 and continuing through 2008, we made significant underwriting changes that limited the types of loans that we will insure in an effort to improve the risk profile of our new business.

Due to the changing environment described above and the credit crisis that began in the third quarter of 2008, at this time we are facing two particularly significant challenges, which we believe are shared by the other participants in our industry:

- Whether we will have access to sufficient capital to continue to write new business. For additional information about this challenge, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Capital” in Item 7.
- Whether private mortgage insurance will remain a significant credit enhancement alternative for low down payment single-family mortgages. For additional information about this challenge, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Future of the Domestic Residential Housing Finance System” in Item 7.

General Information About Our Company

We are a Wisconsin corporation. Our principal office is located at MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (telephone number (414) 347-6480).

Historically, our investments in joint ventures and related loss or income from joint ventures principally consisted of our investment and related earnings in two less than majority owned joint ventures, Credit-Based Asset Servicing and Securitization LLC, C-BASS, and Sherman Financial Group LLC, Sherman. In 2007, joint venture losses included an impairment charge equal to our entire equity interest in C-BASS, as well as equity losses incurred by C-BASS in the fourth quarter that reduced the carrying value of our $50 million note from C-BASS to zero. As a result, beginning in 2008, our joint venture income principally consisted of income from Sherman. In August of 2008, we sold our entire interest in Sherman to Sherman. Beginning in the fourth quarter of 2008, our results of operations are no longer affected by any joint venture results.

As used in this annual report, “we,” “us” and “our” refer to MGIC Investment Corporation’s consolidated operations. Sherman, C-BASS and our other less than majority-owned joint ventures and investments are not consolidated with us for financial reporting purposes, are not our subsidiaries and are not included in the terms “we,” “us” and “our.” The description of our business in this document generally does not apply to our Australian operations, which are immaterial. For information about our Australian operations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Australia” in Item 7.

Our revenues and losses may be materially affected by the risk factors applicable to us that are included in Item 1A of this annual report. These risk factors are an integral part of this annual report. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. We are not undertaking any obligation to update any forward looking statements or other statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. No investor should rely on the fact that such statements are current at any time other than the time at which this annual report was filed with the Securities and Exchange Commission.

B. The MGIC Book

In our industry, a "book" is a group of loans that a mortgage insurer insures in a particular period, normally a calendar year. We refer to the insurance that has been written by MGIC as the "MGIC Book."

Types of Product

In general, there are two principal types of private mortgage insurance: "primary" and "pool." We are currently not issuing new commitments for pool insurance and expect that the volume of any future pool business will be insignificant to us.

Primary Insurance. Primary insurance provides mortgage default protection on individual loans and covers unpaid loan principal, delinquent interest and certain expenses associated with the default and subsequent foreclosure (collectively, the "claim amount"). For the effect of bankruptcy cramdowns on the claim amount, see "—Exposure to Catastrophic Loss; Defaults; Claims; Loss Mitigation — Claims" below. In addition to the loan principal, the claim amount is affected by the mortgage note rate and the time necessary to complete the foreclosure process. The insurer generally pays the coverage percentage of the claim amount specified in the primary policy, but has the option to pay 100% of the claim amount and acquire title to the property. Primary insurance is generally written on first mortgage loans secured by owner occupied single-family homes, which are one-to-four family homes and condominiums. Primary insurance is also written on first liens secured by non-owner occupied single-family homes, which are referred to in the home mortgage lending industry as investor loans, and on vacation or second homes. Primary coverage can be used on any type of residential mortgage loan instrument approved by the mortgage insurer.

References in this document to amounts of insurance written or in force, risk written or in force and other historical data related to our insurance refer only to direct (before giving effect to reinsurance) primary insurance, unless otherwise indicated. References in this document to "primary insurance" include insurance written in bulk transactions that is supplemental to mortgage insurance written in connection with the origination of the loan or that reduces a lender's credit risk to less than 51% of the value of the property. For more than the past five years, reports by private mortgage insurers to the trade association for the private mortgage insurance industry have classified mortgage insurance that is supplemental to other mortgage insurance or that reduces a lender's credit risk to less than 51% of the value of the property as pool insurance. The trade association classification is used by members of the private mortgage insurance industry in reports to Inside Mortgage Finance, a mortgage industry publication that computes and publishes primary market share information.

Primary insurance may be written on a flow basis, in which loans are insured in individual, loan-by-loan transactions, or may be written on a bulk basis, in which each loan in a portfolio of loans is individually insured in a single, bulk transaction. New insurance written on a flow basis was $46.6 billion in 2008 compared to $69.0 billion in 2007 and $39.3 billion in 2006. New insurance written for bulk transactions was $1.6 billion for 2008 compared to $7.8 billion in 2007 and $18.9 billion for 2006. As noted in "- Bulk Transactions" below, in the fourth quarter of 2007, we decided to stop writing the portion of our bulk business that insures mortgage loans included in home equity (or "private label") securitizations, which are the terms the market uses to refer to securitizations sponsored by firms besides the GSEs or Ginnie Mae, such as Wall Street investment banks. We refer to portfolios of loans we insured through the bulk channel that we knew would serve as collateral in a home equity securitization as "Wall Street bulk transactions." While we will continue to insure loans on a bulk basis when we believe that the loans will be sold to a GSE or retained by the lender, we expect the volume of any future business written through the bulk channel will be insignificant to us.

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

Primary Insurance and Risk In Force

	December 31,				
	2008	2007	2006	2005	2004
			(In millions)		
Direct Primary Insurance In Force	$226,955	$211,745	$176,531	$170,029	$177,091
Direct Primary Risk In Force	$ 58,981	$ 55,794	$ 47,079	$ 44,860	$ 45,981

For loans sold to Fannie Mae or Freddie Mac, the coverage percentage must comply with the requirements established by the particular GSE to which the loan is delivered. For other loans, the lender determines the coverage percentage we provide, from the coverage percentages that we offer.

We charge higher premium rates for higher coverage percentages. Higher coverage percentages generally result in increased severity, which is the amount paid on a claim, and lower coverage percentages generally result in decreased severity. In accordance with GAAP for the mortgage insurance industry, reserves for losses are only established for loans in default. Because, historically, relatively few defaults typically occur in the early years of a book of business, the higher premium revenue from deeper coverage has historically been generally recognized before any significant higher losses resulting from that deeper coverage may be incurred. See "- Exposure to Catastrophic Loss; Defaults; Claims; Loss Mitigation - Claims." Our premium pricing methodology generally targets substantially similar returns on capital regardless of the depth of coverage. However, there can be no assurance that changes in the level of premium rates adequately reflect the risks associated with changes in the depth of coverage.

In recent years the GSEs, with mortgage insurers, have offered programs under which, on delivery of an insured loan to a GSE, the primary coverage was restructured to an initial shallow tier of coverage followed by a second tier that was subject to an overall loss limit, and compensation may have been paid to the GSE reflecting services or other benefits realized by the mortgage insurer from the coverage conversion. Lenders receive guaranty fee relief from the GSEs on mortgages delivered with these restructured coverage percentages. We believe that the GSEs ceased offering these programs in 2008, though we continue to insure loans subject to these programs.

In general, mortgage insurance coverage cannot be terminated by the insurer. However, a mortgage insurer may terminate or rescind coverage for, among other reasons, non-payment of premium and in the case of certain material misrepresentations made in connection with the issuance of the insurance policy. See " — Exposure to Catastrophic Loss; Defaults; Claims; Loss Mitigation — Loss Mitigation." Mortgage insurance coverage is renewable at the option of the insured lender, at the renewal rate fixed when the loan was initially insured. Lenders may cancel insurance written on a flow basis at any time at their option or because of mortgage repayment, which may be accelerated because of the refinancing of mortgages. In the case of a loan purchased by Freddie Mac or Fannie Mae, a borrower meeting certain conditions may require the mortgage servicer to cancel insurance upon the borrower's request when the principal balance of the loan is 80% or less of the home's current value.

Under the federal Homeowners Protection Act, or HPA, a borrower has the right to stop paying premiums for private mortgage insurance on loans closed after July 28, 1999 secured by a property comprised of one dwelling unit that is the borrower's primary residence when certain loan-to-value ratio thresholds determined by the value of the home at loan origination and other requirements are met. Generally, the loan-to-value ratios used in this annual report represent the ratio, expressed as a

percentage, of the dollar amount of the first mortgage loan to the value of the property at the time the loan became insured and do not reflect subsequent housing price appreciation or depreciation. In general, under the HPA a borrower may stop making mortgage insurance payments when the loan-to-value ratio is scheduled to reach 80% (based on the loan's amortization schedule) or actually reaches 80% if the borrower so requests and if certain requirements relating to the borrower's payment history, the absence of junior liens and a decline in the property's value since origination are satisfied. In addition, a borrower's obligation to make payments for private mortgage insurance generally terminates regardless of whether a borrower so requests when the loan-to-value ratio (based on the loan's amortization schedule) reaches 78% of the unpaid principal balance of the mortgage and the borrower is or later becomes current in his mortgage payments. A borrower's right to stop paying for private mortgage insurance applies only to borrower paid mortgage insurance. The HPA requires that lenders give borrowers certain notices with regard to the cancellation of private mortgage insurance.

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

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

The percentage of primary risk written with respect to loans representing refinances was 21.9% in 2008 compared to 23.2% in 2007 and 32.0% in 2006. When a borrower refinances a mortgage loan insured by us by paying it off in full with the proceeds of a new mortgage that is also insured by us, the insurance on that existing mortgage is cancelled, and insurance on the new mortgage is considered to be new primary insurance written. Therefore, continuation of our coverage from a refinanced loan to a new loan results in both a cancellation of insurance and new insurance written. When a lender and borrower modify a loan rather than replace it with a new one, or enters into a new loan pursuant to a loan modification program, our insurance continues without being cancelled, assuming that we consent to the modification or new loan.

In addition to varying with the coverage percentage, our premium rates for insurance vary depending upon the perceived risk of a claim on the insured loan and, thus, take into account, among other things, the loan-to-value ratio, whether the loan is a fixed payment loan or a non-fixed payment loan (a non-fixed payment loan is referred to in the home mortgage lending industry as an adjustable rate mortgage or ARM), the mortgage term, whether the loan finances a home in a market we categorize as higher risk, whether the property is the borrower's primary residence and, for A-, subprime loans and certain other loans, the location of the borrower's credit score within a range of credit scores. In general, in this annual report we classify as "A-" loans that have FICO credit scores between 575 and 619 and we classify as "subprime" loans that have FICO credit scores of less than 575. However, in this annual report we classify loans without complete documentation as "reduced documentation" loans regardless of FICO credit score rather than as prime, "A-" or "subprime" loans, although as discussed in footnote 3 to the table titled "Default Statistics for the MGIC Book" in " — Exposure to Catastrophic Loss; Defaults; Claims; Loss Mitigation — Defaults" below, certain "doc waiver" GSE loans are included as "full doc" loans by us.

A FICO credit score is a score based on a borrower's credit history generated by a model developed by Fair Isaac and Company.

Premium rates cannot be changed after the issuance of coverage. Because we believe that over the long term each region of the United States is subject to similar factors affecting risk of loss on insurance written, we generally utilize a nationally based, rather than a regional or local, premium rate policy for insurance written through the flow channel. However, beginning in 2008, changes in our underwriting guidelines implemented more restrictive standards in markets and for loan characteristics that we categorize as higher risk.

The borrower's mortgage loan instrument may require the borrower to pay the mortgage insurance premium. Our industry refers to loans having this requirement as "borrower paid." If the borrower is not required to pay the premium, then the premium is paid by the lender, who may recover the premium through an increase in the note rate on the mortgage or higher origination fees. Our industry refers to loans in which the premium is paid by the lender as "lender paid." Most of our primary insurance in force and new insurance written, other than through bulk transactions, is borrower paid mortgage insurance. New insurance written through bulk transactions is generally paid by the securitization vehicles or investors that hold the mortgages, and the mortgage note rate generally does not reflect the premium for the mortgage insurance. In February 2008, Freddie Mac and Fannie Mae informed us and the rest of our industry that they were reviewing the appropriateness of all mortgage insurers' lender-paid insurance premium rates. We have not received subsequent updates regarding the status of these reviews.

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

During each of the last three years, the monthly premium plan represented more than 85% of our new insurance written. The annual and single premium plans represented the remaining new insurance written.

Pool Insurance. Pool insurance is generally used as an additional "credit enhancement" for certain secondary market mortgage transactions. Pool insurance generally covers the loss on a defaulted mortgage loan which exceeds the claim payment under the primary coverage, if primary insurance is required on that mortgage loan, as well as the total loss on a defaulted mortgage loan which did not require primary insurance. Pool insurance usually has a stated aggregate loss limit and may also have a deductible under which no losses are paid by the insurer until losses exceed the deductible.

We are currently not issuing new commitments for pool insurance and expect that the volume of any future pool business will be insignificant to us. New pool risk written was $145 million in 2008 compared to $211 million in 2007 and $240 million in 2006. New pool risk written during 2006 and 2007 was primarily comprised of risk associated with loans delivered to the GSEs ("agency pool insurance"), loans insured through private label securitizations, loans delivered to the Federal Home Loan Banks under their mortgage purchase programs and loans made under state housing finance programs. New pool risk written during 2008 was primarily comprised of risk associated with agency pool insurance and loans made under state housing finance programs. Direct pool risk in force at December

31, 2008 was $1.9 billion compared to $2.8 billion and $3.1 billion at December 31, 2007 and 2006, respectively. The risk amounts referred to above represent pools of loans with contractual aggregate loss limits and in some cases those without these limits. For pools of loans without these limits, risk is estimated based on the amount that would credit enhance these loans to a "AA" level based on a rating agency model. Under this model, at December 31, 2008, 2007 and 2006 for $2.5 billion, $4.1 billion, and $4.4 billion, respectively, of risk without these limits, risk in force is calculated at $150 million, $475 million, and $473 million, respectively. New risk written, under this model, for the years ended December 31, 2008, 2007 and 2006 was $1 million, $2 million and $4 million, respectively.

The settlement of a nationwide class action alleging that MGIC violated the Real Estate Settlement Procedures Act, or RESPA, by providing agency pool insurance and entering into other transactions with lenders that were not properly priced became final in October 2003. In a February 1, 1999 circular addressed to all mortgage guaranty insurers licensed in New York, the New York Department of Insurance advised that "significantly underpriced" agency pool insurance would violate the provisions of New York insurance law that prohibit mortgage guaranty insurers from providing lenders with inducements to obtain mortgage guaranty business. In a January 31, 2000 letter addressed to all mortgage guaranty insurers licensed in Illinois, the Illinois Department of Insurance advised that providing pool insurance at a "discounted or below market premium" in return for the referral of primary mortgage insurance would violate Illinois law.

In February 2008, Freddie Mac and Fannie Mae informed us and the rest of our industry that they were reviewing the appropriateness of all mortgage insurers' criteria and underwriting requirements for pool insurance on mortgages to the extent that they do not meet such insurer's published underwriting guidelines. We have not received subsequent updates regarding the status of these reviews.

Risk Sharing Arrangements. We have participated in risk sharing arrangements with the GSEs and captive reinsurance arrangements with subsidiaries of certain mortgage lenders that reinsure a portion of the risk on loans originated or serviced by the lenders which have MGIC primary insurance.

In a February 1, 1999 circular addressed to all mortgage insurers licensed in New York, the New York Department of Insurance said that it was in the process of developing guidelines that would articulate the parameters under which captive mortgage reinsurance is permissible under New York insurance law. These guidelines, which were to ensure that the reinsurance constituted a legitimate transfer of risk and were fair and equitable to the parties, have not been issued. As discussed under "We are subject to the risk of private litigation and regulatory proceedings" in Item 1A, we provided information regarding captive mortgage reinsurance arrangements to the New York Department of Insurance and the Minnesota Department of Commerce. The complaint in the RESPA litigation described in "- Pool Insurance" alleged that MGIC pays "inflated" captive reinsurance premiums in violation of RESPA. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. We are not a defendant in any of these cases and we believe no other mortgage insurer is a defendant.

In addition, we participate in risk sharing arrangements with persons unrelated to our customers. When we reinsure a portion of our risk through such a reinsurer, we make an upfront payment or cede a portion of our premiums in return for a reinsurer agreeing to indemnify us for its share of losses incurred. Although reinsuring against possible loan losses does not discharge us from liability to a policyholder, it can reduce the amount of capital we are required to retain against potential future losses for rating agency and insurance regulatory purposes.

For further information about risk sharing arrangements, see “Management’s Discussion and Analysis—Results of Consolidated Operations—Risk Sharing Arrangements” in Item 7 and Note 9 to our consolidated financial statements in Item 8.

Bulk Transactions. In bulk transactions, the individual loans in the insured portfolio are generally insured to specified levels of coverage. The premium in a bulk transaction, which is negotiated with the securitizer or other owner of the loans, is based on the mortgage insurer’s evaluation of the overall risk of the insured loans included in the transaction and is often a composite rate applied to all of the loans in the transaction.

In the fourth quarter of 2007, we decided to stop writing the portion of our bulk business insuring loans included in Wall Street bulk transactions. These securitizations represented approximately 41% and 66% of our new insurance written for bulk transactions during 2007 and 2006, respectively, and 10% of our risk in force, or 74% of our bulk risk in force, at December 31, 2008. New insurance written for bulk transactions was $1.6 billion during 2008, all of which were eligible for delivery to the GSEs, compared to $7.8 billion for 2007 and $18.9 billion for 2006. We wrote no new business through the bulk channel during the second half of 2008. We expect the volume of any future business written through the bulk channel will be insignificant to us. In general, the loans insured by us in Wall Street bulk transactions consisted of loans with reduced underwriting documentation; cash out refinances that exceed the standard underwriting requirements of the GSEs; A- loans; subprime loans; and jumbo loans. A jumbo loan has an unpaid principal balance that exceeds the conforming loan limit. The conforming loan limit is the maximum unpaid principal amount of a mortgage loan that can be purchased by the GSEs. The conforming loan limit is subject to annual adjustment, and for mortgages covering a home with one dwelling unit was $417,000 for 2006, 2007 and early 2008; this amount was temporarily increased to up to $729,500 in the most costly communities in early 2008. For additional information about new insurance written through the bulk channel, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Consolidated Operations — Bulk Transactions” in Item 7.

Customers

Originators of residential mortgage loans such as savings institutions, commercial banks, mortgage brokers, credit unions, mortgage bankers and other lenders have historically determined the placement of mortgage insurance written on a flow basis and as a result are our customers. To obtain primary insurance from us written on a flow basis, a mortgage lender must first apply for and receive a mortgage guaranty master policy from us. In 2008, we issued coverage on mortgage loans for more than 3,300 of our master policyholders. Our top 10 customers, none of whom represented more than 10% of our consolidated revenues, generated 40.3% of our new insurance written on a flow basis in 2008, compared to 43.0% in 2007 and 34.2% in 2006.

When writing insurance for Wall Street bulk transactions, we historically dealt primarily with securitizers of the loans or other owners of the loans, who considered whether credit enhancement provided through the structure of the securitization would eliminate or reduce the need for mortgage insurance.

Sales and Marketing and Competition

Sales and Marketing. We sell our insurance products through our own employees, located throughout all regions of the United States, Puerto Rico and Guam.

Competition. Our competition includes other mortgage insurers, governmental agencies and products designed to eliminate the need to purchase private mortgage insurance. For flow business, we and other private mortgage insurers compete directly with federal and state governmental and quasi-governmental agencies, principally the FHA and, to a lesser degree, the Veterans Administration. These agencies sponsor government-backed mortgage insurance programs, which during 2008 accounted for approximately 60.3%, of the total low down payment residential mortgages which were subject to governmental or private mortgage insurance, a substantial increase from approximately 22.7% in both 2007 and 2006, according to statistics reported by Inside Mortgage Finance. We believe the FHA, which in recent years was not viewed by us as a significant competitor, accounted for the overwhelming majority of this increase in 2008.

Loans insured by the FHA cannot exceed maximum principal amounts which are determined by a percentage of the conforming loan limit. For loans originated in the first half of 2007, the maximum FHA loan amount for homes with one dwelling unit in “high cost” areas was as high as $362,790; this amount was temporarily increased to up to $729,750 in the most costly areas for loans originated in the second half of 2007 or during 2008. For loans originated in 2009, this limit was lowered to $721,050 in Alaska and Hawaii and $625,500 in other states. Loans insured by the Veteran’s Administration do not have mandated maximum principal amounts but have maximum limits on the amount of the guaranty provided by the Veteran’s Administration to the lender. For loans closed on or after December 10, 2004, the maximum Veteran’s Administration guaranty is $156,375 in Alaska and Hawaii and $104,250 in other states.

In addition to competition from the FHA and the Veteran’s Administration, we and other private mortgage insurers face competition from state-supported mortgage insurance funds in several states, including California and New York. From time to time, other state legislatures and agencies consider expanding the authority of their state governments to insure residential mortgages.

Private mortgage insurers are also subject to competition from the GSEs to the extent that they are compensated for assuming default risk that would otherwise be insured by the private mortgage insurance industry. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Future of the Domestic Residential Housing Finance System” for a discussion about the risk that private mortgage insurance will not remain a significant credit enhancement for low down payment single-family mortgages and “Changes in the business practices of Fannie Mae and Freddie Mac could reduce our revenues or increase our losses” in Item 1A for a discussion of how potential changes in the GSEs’ business practices could affect us.

The capital markets and their participants have historically competed with mortgage insurers by offering alternative products and services and may further develop as competitors to private mortgage insurers in ways we cannot predict. Competition from such alternative products and services was substantial prior to 2007 but declined materially in late 2007 and their presence was insignificant in 2008.

Prior to 2008, we and other mortgage insurers also competed with transactions structured to avoid mortgage insurance on low down payment mortgage loans. These transactions include self-insuring, and “80-10-10” and similar loans (generally referred to as “piggyback loans”), which are loans comprised of both a first and a second mortgage (for example, an 80% loan-to-value ratio first mortgage and a 10% loan-to-value ratio second mortgage), with the loan-to-value ratio of the first mortgage below what investors require for mortgage insurance, compared to a loan in which the first mortgage covers the entire borrowed amount (which in the preceding example would be a 90% loan-to-value ratio mortgage). Competition from piggyback structures was substantial prior to 2007 but declined materially later in 2007 and declined further in 2008.

The U.S. private mortgage insurance industry currently consists of seven active mortgage insurers and their affiliates; one of the seven is a joint venture in which another mortgage insurer participates and another is, according to filings with the Securities and Exchange Commission as of February 20, 2009, our largest shareholder. The names of these mortgage insurers are listed under "Competition or changes in our relationships with our customers could reduce our revenues or increase our losses" in Item 1A. In 2008, a mortgage insurer ceased writing new insurance and placed its existing book of business in run-off. According to Inside Mortgage Finance, which obtains its data from reports provided by us and other mortgage insurers that are to be prepared on the same basis as the reports by insurers to the trade association for the private mortgage insurance industry, for more than ten years, we have been the largest private mortgage insurer based on new primary insurance written, with a market share of 24.5% in 2008, 21.3% in 2007, 21.6% in 2006, 22.9% in 2005 and 23.5% in 2004, and at December 31, 2008, we also had the largest book of direct primary insurance in force. For more than five years, these reports do not include as "primary mortgage insurance" insurance on certain loans classified by us as primary insurance, such as loans insured through bulk transactions that already had mortgage insurance placed on the loans at origination.

The private mortgage insurance industry is highly competitive. We believe that we currently compete with other private mortgage insurers based on customer relationships, name recognition, reputation, the ancillary products and services provided to lenders (including contract underwriting services), the strength of management teams and field organizations, the depths of databases covering insured loans and the effective use of technology and innovation in the delivery and servicing of insurance products. Several private mortgage insurers compete based on the types of captive mortgage reinsurance that they offer. Historically, the industry has competed for business written through the flow channel principally on the basis of programs involving captive mortgage reinsurance, agency pool insurance, and other similar structures involving lenders; the provision of contract underwriting and related fee-based services to lenders; financial strength as it is perceived by persons making or influencing the selection of a mortgage insurer; the provision of other products and services that meet lender needs for risk management, affordable housing, loss mitigation, capital markets and training support; and the effective use of technology and innovation in the delivery and servicing of insurance products. We believe competition for Wall Street bulk business was based principally on the premium rate and the portion of loans submitted for insurance that the insurers were willing to insure.

The complaint in the RESPA litigation described in "- Pool Insurance" alleged, among other things, that captive mortgage reinsurance, agency pool insurance, and contract underwriting we provided violated RESPA.

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

The mortgage insurance industry historically viewed a financial strength rating of Aa3/AA- as critical to writing new business. At the time that this annual report was finalized, the financial strength of MGIC, our principal mortgage insurance subsidiary, was rated Ba2 by Moody's Investors Service and the outlook for this rating was considered, by Moody's, to be developing; Standard & Poor's Rating Services' insurer financial strength rating of MGIC was A- with a negative outlook; and the financial strength of MGIC was rated A- by Fitch Ratings with a negative outlook. MGIC could be further downgraded by one or more of these rating agencies.

For further information about the importance of our ratings, see the risk factor titled "Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings" in Item 1A. In assigning financial strength ratings, in addition to considering the adequacy of the mortgage insurer's capital to withstand very high claim scenarios under assumptions determined by the rating agency, we believe rating agencies review a mortgage insurer's historical and projected operating performance, franchise risk, business outlook, competitive position, management, corporate strategy, and other factors. The rating agency issuing the financial strength rating can withdraw or change its rating at any time.

Contract Underwriting and Related Services

We perform contract underwriting services for lenders in which we judge whether the data relating to the borrower and the loan contained in the lender's mortgage loan application file comply with the lender's loan underwriting guidelines. We also provide an interface to submit data to the automated underwriting systems of the GSEs, which independently judge the data. These services are provided for loans that require private mortgage insurance as well as for loans that do not require private mortgage insurance. A material portion of our new insurance written through the flow channel in recent years involved loans for which we provided contract underwriting services. The complaint in the RESPA litigation described in "- Pool Insurance" alleged, among other things, that the pricing of contract underwriting provided by us violated RESPA.

Under our contract underwriting agreements, we may be required to provide certain remedies to our customers if certain standards relating to the quality of our underwriting work are not met. The cost of remedies provided by us to customers for failing to meet these standards has not been material to our financial position or results of operations for the years ended December 31, 2008, 2007 and 2006. However, a generally positive economic environment for residential real estate that continued through a portion of 2007 may have mitigated the effect of some of these costs, the claims for which may lag, by as much as several years, deterioration in the economic environment for residential real estate. There can be no assurance that contract underwriting remedies will not be material in the future.

In February 2008, Freddie Mac and Fannie Mae informed us and the rest of our industry that they were reviewing all mortgage insurers' business justifications for activities, such as contract underwriting services, that have the potential for creating non-insurance related contingent liabilities. We have not received subsequent updates regarding the status of these reviews.

Risk Management

We believe that mortgage credit risk is materially affected by:

- the borrower's credit strength, including the borrower's credit history, debt-to-income ratios, and cash reserves and the willingness of a borrower with sufficient resources to make mortgage payments to do so when the mortgage balance exceeds the value of the home;
- the loan product, which encompasses the loan-to-value ratio, the type of loan instrument, including whether the instrument provides for fixed or variable payments and the amortization schedule, the type of property and the purpose of the loan;
- origination practices of lenders and the percentage of coverage on insured loans;
- the size of loans insured; and
- the condition of the economy, including housing values and employment, in the area in which the property is located.

We believe that, excluding other factors, claim incidence increases:

- for loans with lower FICO credit scores compared to loans with higher FICO credit scores;
- for loans with less than full underwriting documentation compared to loans with full underwriting documentation;
- during periods of economic contraction and housing price depreciation, including when these conditions may not be nationwide, compared to periods of economic expansion and housing price appreciation;
- for loans with higher loan-to-value ratios compared to loans with lower loan-to-value ratios;
- for ARMs when the reset interest rate significantly exceeds the interest rate at loan origination;
- for loans that permit the deferral of principal amortization compared to loans that require principal amortization with each monthly payment;
- for loans in which the original loan amount exceeds the conforming loan limit compared to loans below that limit; and
- for cash out refinance loans compared to rate and term refinance loans.

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

We charge higher premium rates to reflect the increased risk of claim incidence that we perceive is associated with a loan, although not all higher risk characteristics are reflected in the premium rate. There can be no assurance that our premium rates adequately reflect the increased risk, particularly in a period of economic recession, slowing home price appreciation or housing price declines. For additional information, see our risk factors in Item 1A, including the one titled "The premiums we charge may not be adequate to compensate us for our liabilities for losses and as a result any inadequacy could materially affect our financial condition and results of operations."

In 2008, we made significant underwriting changes that limited the types of loans that we will insure. For information about these changes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Consolidated Operations — New insurance written" in Item 7.

Delegated Underwriting and GSE Automated Underwriting Approvals. Delegated underwriting is a program under which approved lenders are allowed to commit us to insure loans originated through the flow channel. Until January 2007, lenders were able to commit us to insure loans utilizing only their own underwriting guidelines and underwriting evaluation. In addition, from 2000 through January 2007, loans approved by the automated underwriting services of the GSEs were automatically approved for MGIC mortgage insurance. As a result, during this period, a substantial majority of the loans insured by us through the flow channel were approved as a result of loan approvals by the automated underwriting services of the GSEs or through delegated underwriting programs, including those utilizing lenders' proprietary underwriting services. Beginning in 2007, loans that did not meet our underwriting guidelines would not automatically be insured by us even though the loans were approved by the underwriting services described above. As a result, our delegated underwriting program began requiring lenders to commit us to insure only loans that complied with our underwriting guidelines.

Exposure to Catastrophic Loss; Defaults; Claims; Loss Mitigation

Exposure to Catastrophic Loss. The private mortgage insurance industry has from time to time experienced catastrophic loss similar to the losses currently being experienced. Prior to the current cycle of such losses, the last time that private mortgage insurers experienced substantial losses was in the mid-to-late 1980s. From the 1970s until 1981, rising home prices in the United States generally led to profitable insurance underwriting results for the industry and caused private mortgage insurers to emphasize market share. To maximize market share, until the mid-1980s, private mortgage insurers employed liberal underwriting practices, and charged premium rates which, in retrospect, generally did not adequately reflect the risk assumed, particularly on pool insurance. These industry practices compounded the losses which resulted from changing economic and market conditions which occurred during the early and mid-1980s, including (1) severe regional recessions and attendant declines in property values in the nation's energy producing states; (2) the lenders' development of new mortgage products to defer the impact on home buyers of double digit mortgage interest rates; and (3) changes in federal income tax incentives which initially encouraged the growth of investment in non-owner occupied properties.

Defaults. The claim cycle on private mortgage insurance begins with the insurer's receipt of notification of a default on an insured loan from the lender. We define a default as an insured loan with a mortgage payment that is 45 days or more past due. Lenders are required to notify us of defaults within 130 days after the initial default, although most lenders do so earlier. The incidence of default is affected by a variety of factors, including the level of borrower income growth, unemployment, divorce and illness, the level of interest rates, rates of housing price appreciation or depreciation and general borrower creditworthiness. Defaults that are not cured result in a claim to us. See "- Claims." Defaults may be cured by the borrower bringing current the delinquent loan payments or by a sale of the property and the satisfaction of all amounts due under the mortgage.

The following table shows the number of primary and pool loans insured in the MGIC Book, including loans insured in bulk transactions and A- and subprime loans, the related number of loans in default and the percentage of loans in default, or default rate, as of December 31, 2004-2008:

Default Statistics for the MGIC Book

	December 31,				
	2008	2007	2006	2005	2004
PRIMARY INSURANCE					
Insured loans in force	1,472,757	1,437,432	1,283,174	1,303,084	1,413,678
Loans in default	182,188	107,120	78,628	85,788	85,487
Default rate — all loans	12.37%	7.45%	6.13%	6.58%	6.05%
Flow loans in default	122,693	61,352	42,438	47,051	44,925
Default rate — flow loans	9.51%	4.99%	4.08%	4.52%	3.99%
Bulk loans in force(1)	182,268	208,903	243,395	263,225	288,587
Bulk loans in default(1)	59,495	45,768	36,190	38,737	40,562
Default rate — bulk loans	32.64%	21.91%	14.87%	14.72%	14.06%
Prime loans in default(2)	95,672	49,333	36,727	41,395	39,988
Default rate — prime loans	7.90%	4.33%	3.71%	4.11%	3.66%
A-minus loans in default(2)	31,907	22,863	18,182	20,358	20,734
Default rate — A-minus loans	30.19%	19.20%	16.81%	17.21%	15.00%
Subprime loans in default(2)	13,300	12,915	12,227	13,762	14,150
Default rate — subprime loans	43.30%	34.08%	26.79%	25.20%	22.78%
Reduced documentation loans delinquent(3)	41,309	22,009	11,492	10,273	10,615
Default rate — reduced doc loans	32.88%	15.48%	8.19%	8.39%	8.89%
POOL INSURANCE					
Insured loans in force	603,332	757,114	766,453	767,920	790,935
Loans in default	33,884	25,224	20,458	23,772	25,500
Percentage of loans in default (default rate)	5.62%	3.33%	2.67%	3.10%	3.22%

(1) At December 31, 2008, 118,000 bulk loans in force and 45,482 bulk loans in default related to Wall Street bulk transactions. Among other things, the default rate for bulk loans is influenced by our decision to stop writing the portion of our bulk business that we refer to as “Wall Street bulk transactions.” This decision increases the default rate because it results in a greater percentage of the bulk business consisting of vintages that traditionally have higher default rates.

(2) We define prime loans as those having FICO credit scores of 620 or greater, A-minus loans as those having FICO credit scores of 575-619, and subprime credit loans as those having FICO credit scores of less than 575, all as reported to MGIC at the time a commitment to insure is issued. Most A-minus and subprime credit loans were written through the bulk channel.

(3) In accordance with industry practice, loans approved by GSE and other automated underwriting (AU) systems under “doc waiver” programs that do not require verification of borrower income are classified by us as “full documentation.” Based in part on information provided by the GSEs, we estimate full documentation loans of this type were approximately 4% of 2007 new insurance written. Information for other periods is not available. We understand these AU systems grant such doc waivers for loans they judge to have higher credit quality. We also understand that the GSEs terminated their “doc waiver” programs in the second half of 2008.

Different areas of the United States may experience different default rates due to varying localized economic conditions from year to year. The following table shows the percentage of loans we insured that were in default as of December 31, 2008, 2007 and 2006 for the 15 states for which we paid the most losses during 2008:

State Default Rates

	December 31,		
	2008	2007	2006
California	25.17%	13.60%	6.31%
Florida	29.46	12.30	4.62
Michigan	13.61	9.78	9.07
Arizona	21.54	7.48	3.13
Ohio	9.93	8.01	8.03
Illinois	13.28	7.73	6.36
Georgia	14.36	8.79	8.07
Texas	8.68	6.27	6.45
Nevada	25.10	8.73	4.12
Minnesota	13.17	9.07	7.71
Colorado	9.02	6.27	6.97
Virginia	11.99	6.62	4.27
Massachusetts	10.86	7.42	5.68
Indiana	10.07	6.77	6.80
New York	10.52	7.49	5.84
Other states	9.03	5.85	5.54

The default inventory for the 15 states for which we paid the most losses during 2008, at the dates indicated, appears in the table below.

Default Inventory by State

	December 31,		
	2008	2007	2006
California	14,960	6,925	3,000
Florida	29,384	12,548	4,526
Michigan	9,853	7,304	6,522
Arizona	6,338	2,169	800
Ohio	8,555	6,901	6,395
Illinois	9,130	5,435	4,092
Georgia	7,622	4,623	3,492
Texas	10,540	7,103	6,490
Nevada	3,916	1,337	530
Minnesota	3,642	2,478	1,820
Colorado	2,328	1,534	1,354
Virginia	3,360	1,761	981
Massachusetts	2,634	1,596	1,027
Indiana	5,497	3,763	3,392
New York	4,493	3,153	2,458
Other states	59,936	38,490	31,749
	182,188	107,120	78,628

Claims. Claims result from defaults which are not cured. Whether a claim results from an uncured default depends, in large part, on the borrower's equity in the home at the time of default, the borrower's or the lender's ability to sell the home for an amount sufficient to satisfy all amounts due under the mortgage and the willingness and ability of the borrower and lender to enter into a loan modification that provides for a cure of the default. Various factors affect the frequency and amount of claims, including local housing prices and employment levels, and interest rates.

Under the terms of our master policy, the lender is required to file a claim for primary insurance with us within 60 days after it has acquired title to the underlying property (typically through foreclosure). Depending on the applicable state foreclosure law, generally at least twelve months pass from the date of default to payment of a claim on an uncured default. The rate at which claims are received and paid has slowed recently due to various state and lender foreclosure moratoriums, servicing delays including as a result of attempts to modify loans, fraud investigations by us, our pursuit of mitigation opportunities and a lack of capacity in the court systems.

Within 60 days after a claim has been filed and all documents required to be submitted to us have been delivered, we have the option of either (1) paying the coverage percentage specified for that loan, with the insured retaining title to the underlying property and receiving all proceeds from the eventual sale of the property, or (2) paying 100% of the claim amount in exchange for the lender's conveyance of good and marketable title to the property to us. After we receive title to properties, we sell them for our own account.

Claim activity is not evenly spread throughout the coverage period of a book of primary business. For prime loans, relatively few claims are typically received during the first two years following issuance of coverage on a loan. This is typically followed by a period of rising claims which, based on industry experience, has historically reached its highest level in the third and fourth years after the year of loan origination. Thereafter, the number of claims typically received has historically declined at a gradual rate, although the rate of decline can be affected by conditions in the economy, including slowing home price appreciation or housing price depreciation. Due in part to the subprime component of loans insured in Wall Street bulk transactions (which were the majority of our bulk transactions prior to 2007), the peak claim period for bulk loans has generally occurred earlier than for prime loans. Moreover, when a loan is refinanced, because the new loan replaces, and is a continuation of, an earlier loan, the pattern of claims frequency for that new loan may be different from the historical pattern of other loans. As of December 31, 2008, 66% of the MGIC Book of primary insurance in force had been written on or after January 1, 2006, although a portion of that insurance arose from the refinancing of earlier originations. See "- Insurance In Force by Policy Year."

Another important factor affecting MGIC Book losses is the amount of the average claim paid, which is generally referred to as claim severity. The main determinants of claim severity are the amount of the mortgage loan, the coverage percentage on the loan and local market conditions. The average claim severity on the MGIC Book of primary insurance was $52,239 for 2008, compared to $37,165 for 2007, and $28,228 in 2006. The continued increase in average claim severity in 2008 was primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as our inability to mitigate losses through the sale of properties due to slowing home price appreciation or home price declines in some areas.

Information about net claims we paid during 2006 through 2008 appears in the table below.

Net paid claims ($ millions)

	2008	2007	2006
Prime (FICO 620 & >)	$ 547	$ 332	$ 251
A-Minus (FICO 575-619)	250	161	125
Subprime (FICO < 575)	132	101	68
Reduced doc (All FICOs)	395	190	81
Other	48	45	50
Direct losses paid	1,372	829	575
Reinsurance	(19)	(12)	(8)
Net losses paid	1,353	817	567
LAE	48	53	44
Net losses and LAE before terminations	1,401	870	611
Reinsurance terminations	(265)	—	—
Net losses and LAE paid	$ 1,136	$ 870	$ 611

Information regarding the 15 states for which we paid the most primary losses during 2008 appears in the table below.

Primary paid claims by state ($ millions)

	2008	2007	2006
California	$ 315.8	$ 81.7	$ 2.8
Florida	129.3	37.6	4.4
Michigan	98.9	98.0	73.8
Arizona	60.8	10.5	0.7
Ohio	58.3	73.2	71.5
Illinois	52.0	34.9	20.5
Georgia	50.4	35.4	39.6
Texas	47.7	51.1	48.9
Nevada	45.1	12.3	1.4
Minnesota	43.2	33.6	16.0
Colorado	32.5	31.6	30.1
Virginia	32.3	12.7	1.8
Massachusetts	28.9	24.3	6.5
Indiana	26.0	33.3	34.8
New York	23.9	13.2	9.2
Other states	278.8	201.0	162.6
	$ 1,323.9	$ 784.4	$ 524.6

There have been recent proposals to give bankruptcy judges the authority to reduce mortgage balances in bankruptcy cases. Such reductions are sometimes referred to as bankruptcy cramdowns. A bankruptcy cramdown is not an event that entitles an insured party to make a claim under our insurance policy. If a borrower ultimately satisfies his or her mortgage after a bankruptcy cramdown, then our insurance policies provide that we would not be required to pay any claim. Under our insurance policies, however, if a borrower re-defaults on a mortgage after a bankruptcy cramdown, the claim we would be required to pay would be based upon the original, unreduced loan balance. We are not aware of any bankruptcy cramdown proposals that would change these provisions of our insurance policies.

Loss Mitigation. Before paying a claim, we review the loan file to determine whether we are required, under the applicable insurance policy, to pay the claim or whether we are entitled to reduce the

amount of the claim. For example, all of our insurance policies provide that we can reduce or deny a claim if the servicer did not comply with its obligation to mitigate our loss by performing reasonable loss mitigation efforts or diligently pursuing a foreclosure or bankruptcy relief in a timely manner. We also do not cover losses resulting from property damage that has not been repaired.

In addition, subject to rescission caps in certain of our Wall Street bulk transactions, all of our insurance policies allow us to rescind coverage under certain circumstances. Because we review the loan origination documents and information as part of our normal processing when a claim is submitted to us, rescissions occur most often after we have received a claim. Historically, claims submitted to us on policies we rescinded represented less than 5% of our claims resolved during the year. This increased to approximately 15% in the fourth quarter of 2008. In light of the number of claims investigations we are pursuing and our perception that books of insurance we wrote before 2008 contain a significant number of loans involving fraud, we expect our rescission rate to increase. When we rescind coverage, we return all premiums previously paid to us under the policy and are relieved of our obligation to pay a claim under the policy, although if the insured disputes our right to rescind coverage, whether the requirements to rescind are met ultimately would be determined by arbitration or judicial proceedings. Objections to rescission may be made several years after we have rescinded an insurance policy. Historically, we have received an immaterial number of such objections, but that may change as our rate of rescissions increases.

Most of our rescissions involve material misrepresentations made, or fraud committed, in connection with the origination of a loan regarding information we received and relied upon when the loan was insured. In general, our insurance policies allow us to rescind coverage if a material misrepresentation is made and if the lender or related parties such as the originator and the mortgage loan broker were aware of such misrepresentation. Ultimately, our ability to rescind coverage for material misrepresentation requires a thorough investigation of the facts surrounding the origination of the insured mortgage loan and the discovery of sufficient evidence regarding a misrepresentation and the materiality of the misrepresentation. These types of investigations are very fact-intensive, can be more difficult in reduced documentation and no documentation loan scenarios and often depend on factors outside our control, including whether the borrower cooperates with our investigation.

One of the loss mitigation techniques available to us is obtaining a deficiency judgment against the borrower and attempting to recover some or all of the paid claim from the borrower. However, ten states, including Arizona, Illinois, New York, Ohio, Texas and Virginia, prohibit mortgage guaranty insurance companies from obtaining deficiency judgments if the applicable property is a single-family home that the borrower lived in. In five other states, including California, deficiency judgments are effectively prohibited. Finally, some states, including, Florida, Indiana, Illinois and Ohio (when, in the latter two states, the circumstances prohibiting deficiency judgments do not apply), have a judicial foreclosure process in which a deficiency judgment is obtained. In our experience, the increased time and costs associated with separate actions to obtain a deficiency judgment usually outweigh the potential benefits of collecting the deficiency judgment. In recent years, recoveries on deficiency judgments have been less than 1% of our paid claims. The recent increase in our paid claims has not been accompanied by a similar increase in recoveries on deficiency judgments. This has occurred because the number of borrowers against whom we are seeking deficiency judgments has not increased. This in turn is due to our view that the number of borrowers whose credit quality would warrant our seeking deficiency judgments has remained essentially unchanged despite the substantial increase in the number of potential deficiency candidates.

Loss Reserves and Premium Deficiency Reserves

A significant period of time may elapse between the time when a borrower defaults on a mortgage payment, which is the event triggering a potential future claim payment by us, the reporting of the default to us and the eventual payment of the claim related to the uncured default. To recognize the liability for

unpaid losses related to outstanding reported defaults, or default inventory, we establish loss reserves, representing the estimated percentage of defaults which will ultimately result in a claim, which is known as the claim rate, and the estimated severity of the claims which will arise from the defaults included in the default inventory. In accordance with GAAP for the mortgage insurance industry, we generally do not establish loss reserves for future claims on insured loans which are not currently in default.

We also establish reserves to provide for the estimated costs of settling claims, general expenses of administering the claims settlement process, legal fees and other fees (“loss adjustment expenses”), and for losses and loss adjustment expenses from defaults which have occurred, but which have not yet been reported to us.

Our reserving process bases our estimates of future events on our past experience. However, estimation of loss reserves is inherently judgmental and conditions that have affected the development of the loss reserves in the past may not necessarily affect development patterns in the future, in either a similar manner or degree. For further information, see the risk factors titled “Because we establish loss reserves only upon a loan default rather than based on estimates of our ultimate losses, our earnings may be adversely affected by losses disproportionately in certain periods” and “Loss reserve estimates are subject to uncertainties and paid claims may substantially exceed our loss reserves” in Item 1A.

After our reserves are initially established, we perform premium deficiency tests using best estimate assumptions as of the testing date. We establish premium deficiency reserves, if necessary, when the present value of expected future losses and expenses exceeds the present value of expected future premium and already established reserves. In the fourth quarter of 2007, we recorded premium deficiency reserves of $1,211 million relating to Wall Street bulk transactions remaining in our insurance in force. As of December 31, 2008, this premium deficiency reserve was $454 million. A premium deficiency reserve represents the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves on the applicable loans.

For further information about loss reserves, see “Management’s Discussion and Analysis—Results of Consolidated Operations—Losses” in Item 7 and Note 8 to our consolidated financial statements in Item 8.

Geographic Dispersion

The following table reflects the percentage of primary risk in force in the top 10 states and top 10 core-based statistical areas for the MGIC Book at December 31, 2008:

Dispersion of Primary Risk In Force

Top 10 States	
1. Florida	8.2%
2. California	7.6
3. Texas	7.0
4. Illinois	4.5
5. Pennsylvania	4.3
6. Ohio	4.3
7. Michigan	3.9
8. Georgia	3.5
9. New York	3.2
10. North Carolina	2.7
Total	49.2%

Top 10 core-based statistical areas	
1. Chicago-Naperville-Joliet	3.1%
2. Atlanta-Sandy Springs-Marietta	2.4
3. Houston-Baytown-Sugarland	2.1
4. Washington-Arlington-Alexandria	1.9
5. Phoenix-Mesa-Scottsdale	1.8
6. Riverside-San Bernardino-Ontario	1.7
7. San Juan-Caguas-Guaynabo	1.7
8. Los Angeles-Long Beach-Glendale	1.7
9. Dallas-Plano-Irving	1.4
10. Philadelphia	1.4
Total	19.2%

The percentages shown above for various core-based statistical areas can be affected by changes, from time to time, in the federal government's definition of a core-based statistical area.

Insurance In Force by Policy Year

The following table sets forth for the MGIC Book the dispersion of our primary insurance in force as of December 31, 2008, by year(s) of policy origination since we began operations in 1985:

Primary Insurance In Force by Policy Year

Policy Year	Flow	Bulk	Total	Percent of Total
		(In millions of dollars)		
1985-2001	$ 8,555	$ 1,208	$ 9,763	4.3%
2002	5,955	1,205	7,160	3.2
2003	12,850	2,090	14,940	6.6
2004	14,104	2,268	16,372	7.2
2005	21,137	5,732	26,869	11.8
2006	27,428	11,300	38,728	17.1
2007	60,394	6,661	67,055	29.5
2008	44,566	1,502	46,068	20.3
Total	$194,989	$ 31,966	$226,955	100.0%

Risk In Force and Product Characteristics of Risk In Force

At December 31, 2008 and 2007, 97% and 95%, respectively, of our risk in force was primary insurance and the remaining risk in force was pool insurance. The following table sets forth for the MGIC Book the dispersion of our primary risk in force as of December 31, 2008, by year(s) of policy origination since we began operations in 1985:

Primary Risk In Force by Policy Year

Policy Year	Flow	Bulk	Total	Percent of Total
		(In millions of dollars)		
1985-2001	$ 2,116	$ 311	$ 2,427	4.1%
2002	1,578	344	1,922	3.3
2003	3,381	621	4,002	6.8
2004	3,780	640	4,420	7.5
2005	5,584	1,767	7,351	12.5
2006	7,050	3,490	10,540	17.9
2007	15,427	1,741	17,168	29.1
2008	10,925	226	11,151	18.8
Total	$ 49,841	$ 9,140	$ 58,981	100.0%

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The following table reflects at the dates indicated the (1) total dollar amount of primary risk in force for the MGIC Book and (2) percentage of that primary risk in force, as determined on the basis of information available on the date of mortgage origination, by the categories indicated.

Characteristics of Primary Risk In Force

	December 31, 2008	December 31, 2007
Direct Risk In Force (In Millions):	$ 58,981	$ 55,794
Loan-to-value ratios:(1)		
100s	29.6%	30.1%
95s	29.1	27.5
90s(2)	35.6	35.3
80s	5.7	7.1
Total	100.0%	100.0%
Loan Type:		
Fixed(3)	89.3%	86.4%
Adjustable rate mortgages (“ARMs”)(4)	10.7	13.6
Total	100.0%	100.0%
Original Insured Loan Amount:(5)		
Conforming loan limit and below	94.3%	94.0%
Non-conforming	5.7	6.0
Total	100.0%	100.0%
Mortgage Term:		
15-years and under	1.1%	1.2%
Over 15 years	98.9	98.8
Total	100.0%	100.0%
Property Type:		
Single-family(6)	89.7%	89.9%
Condominium	9.3	8.9
Other(7)	1.0	1.2
Total	100.0%	100.0%
Occupancy Status:		
Primary residence	93.1%	92.8%
Second home	3.5	3.3
Non-owner occupied	3.4	3.9
Total	100.0%	100.0%
Documentation:		
Reduced documentation(8)	12.0%	14.7%
Full documentation	88.0	85.3
Total	100.0%	100.0%
FICO Score:(9)		
Prime (FICO 620 and above)	90.7%	88.4%
A Minus (FICO 575 - 619)	7.2	8.8
Subprime (FICO below 575)	2.1	2.8
Total	100.0%	100.0%

(1) Loan-to-value ratio represents the ratio (expressed as a percentage) of the dollar amount of the first mortgage loan to the value of the property at the time the loan became insured and does not reflect subsequent housing price appreciation or depreciation. Subordinate mortgages may also be present. For purposes of the table, loan-to-value ratios are classified as in excess of 95% ("100s", a classification that includes 97% to 103% loan-to-value ratio loans); in excess of 90% loan-to-value ratio and up to 95% loan-to-value ratio ("95s"); in excess of 80% loan-to-value ratio and up to 90% loan-to-value ratio ("90s"); and equal to or less than 80% loan-to-value ratio ("80s").

(2) We include in our classification of 90s, loans where the borrower makes a down payment of 10% and finances the associated mortgage insurance premium payment as part of the mortgage loan. At December 31, 2008 and 2007, 1.2% and 1.3%, respectively, of the primary risk in force consisted of these types of loans.

(3) Includes fixed rate mortgages with temporary buydowns (where in effect the applicable interest rate is typically reduced by one or two percentage points during the first two years of the loan), ARMs in which the initial interest rate is fixed for at least five years and balloon payment mortgages (a loan with a maturity, typically five to seven years, that is shorter than the loan's amortization period).

(4) Includes ARMs where payments adjust fully with interest rate adjustments. Also includes pay option ARMs and other ARMs with negative amortization features, which collectively at December 31, 2008, 2007 and 2006, represented 3.8%, 4.5% and 5.5%, respectively, of primary risk in force. As indicated in note (3), does not include ARMs in which the initial interest rate is fixed for at least five years. As of December 31, 2008, 2007 and 2006, ARMs with loan-to-value ratios in excess of 90% represented 2.7%, 4.0% and 6.1%, respectively, of primary risk in force.

(5) Loans within the conforming loan limit have an original principal balance that does not exceed the maximum original principal balance of loans that the GSEs are eligible to purchase. The conforming loan limit is subject to annual adjustment and was $417,000 for 2006, 2007 and early 2008; this amount was temporarily increased to up to $729,500 in the most costly communities in early 2008. Non-conforming loans are loans with an original principal balance above the conforming loan limit.

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

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

(8) Reduced documentation loans, many of which are commonly referred to as "Alt-A" loans, are originated under programs in which there is a reduced level of verification or disclosure compared to traditional mortgage loan underwriting, including programs in which the borrower's income and/or assets are disclosed in the loan application but there is no verification of those disclosures and programs in which there is no disclosure of income or assets in the loan application. At December 31, 2008, 2007 and 2006, reduced documentation loans represented 6.8%, 8.2% and 7.9%, respectively, of risk in force written through the flow channel and 40.3%, 41.2% and 42.3%, respectively of risk in force written through the bulk channel. In accordance with industry practice, loans approved by GSE and other automated underwriting (AU) systems under "doc waiver" programs that do not require verification of borrower income are classified by us as "full documentation." Based in part on information provided by the GSEs, we estimate full documentation loans of this type were approximately 4% of 2007 new insurance written. Information for other periods is not available. We understand these AU systems grant such doc waivers for loans they judge to have higher credit quality. We also understand that the GSEs terminated their "doc waiver" programs in the second half of 2008.

(9) Represents the FICO score at loan origination. The weighted average FICO score at loan origination for new insurance written in 2008, 2007 and 2006 was 733, 691 and 690, respectively.

C. Other Business and Joint Ventures

We provide various mortgage services for the mortgage finance industry, such as portfolio retention and secondary marketing of mortgage-related assets. Our eMagic.com LLC subsidiary provides an Internet portal through which mortgage industry participants can access products and services of wholesalers, investors and vendors necessary to make a home mortgage loan. Our Myers Internet, Inc. subsidiary provides website hosting, design and marketing solutions for mortgage originators and real estate agents.

For information about our Australian operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Australia" in Item 7.

At December 31, 2008, we owned approximately 45.5% of the equity interest in C-BASS, which prior to 2008 was one of our principal joint ventures included in the “Income from joint ventures, net of tax” line in our Consolidated Statement of Operations. A third party has an option that expires in December 2014 to purchase 22.5% of C-BASS’ equity from us for an exercise price of $2.5 million. C-BASS is a joint venture with its senior management and Radian Group Inc. that was formerly engaged principally in the business of investing in the credit risk of subprime single-family residential mortgages. In 2007, C-BASS ceased its operations and is managing its portfolio pursuant to a consensual, non-bankruptcy restructuring, under which its assets are to be paid out over time to its secured and unsecured creditors. For further information about C-BASS, see “Management’s Discussion and Analysis—Results of Consolidated Operations” in Item 7 and Note 10 to our consolidated financial statements in Item 8.

Until August 2008, when we sold our entire interest in Sherman to Sherman, Sherman was a joint venture with its senior management and Radian Group Inc. Our interest sold represented approximately 24.25% of Sherman’s equity. In September 2007, we sold certain interests in Sherman for approximately $240.8 million. For further information about Sherman, which during 2008 was our principal joint venture included in the “Income from joint ventures, net of tax” line in our Consolidated Statement of Operations, see “Management’s Discussion and Analysis—Results of Consolidated Operations” in Item 7 and Note 10 to our consolidated financial statements in Item 8.

D. Investment Portfolio

Policy and Strategy

At December 31, 2008, the fair value of our investment portfolio and cash and cash equivalents was approximately $8.1 billion. As of December 31, 2008, approximately $394 million of our portfolio was held at the parent company level and the remainder of our portfolio was held by our subsidiaries, primarily MGIC. The portion of our portfolio that is held at the parent company level is held in cash or cash equivalents. The remainder of the discussion of our investment portfolio refers to our investment portfolio only and not to cash and cash equivalents.

Approximately 49% of our investment portfolio is managed by either BlackRock, Inc. or Wellington Management Company, LLP, although we maintain overall control of investment policy and strategy. We maintain direct management of the remainder of our investment portfolio.

Our current policies emphasize preservation of capital, as well as total return. Therefore, our investment portfolio consists almost entirely of high-quality, fixed-income investments. We seek liquidity through diversification and investment in publicly traded securities. We attempt to maintain a level of liquidity commensurate with our perceived business outlook and the expected timing, direction and degree of changes in interest rates. Our investment policies in effect at December 31, 2008 limited investments in the securities of a single issuer, other than the U.S. government, and generally limit the purchase of fixed income securities to those that are rated investment grade by at least one rating agency. At that date, the maximum aggregate book value of the holdings of a single obligor or non-government money market mutual fund was:

U.S. government securities	No limit
Pre-refunded municipals escrowed in Treasury securities	No limit(1)
U.S. government agencies (in total)(2)	15% of portfolio market value
Securities rated “AA” or “AAA”	3% of portfolio market value
Securities rated “Baa” or “A”	2% of portfolio market value

(1) No limit subject to liquidity considerations.

(2) As used with respect to our investment portfolio, U.S. government agencies include GSEs (which, in the sector table below are included as part of U.S. Treasuries), Federal Home Loan Banks and the Tennessee Valley Authority.

At December 31, 2008, based on amortized cost, approximately 94.4% of our total fixed income investment portfolio was invested in securities rated “A” or better, with 56.7% rated “AAA” and 23.9% rated “AA,” in each case by at least one nationally recognized securities rating organization. For information related to the portion of our investment portfolio that is insured by financial guarantors, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition” in Item 7.

Our investment policies and strategies are subject to change depending upon regulatory, economic and market conditions and our existing or anticipated financial condition and operating requirements, including our tax position.

Investment Operations

At December 31, 2008, municipal securities represented 89.5% of the fair value of our total investment portfolio and derivative financial instruments in our investment portfolio were immaterial. Securities due within one year, within one to five years, within five to ten years, and after ten years, represented 6.2%, 23.1%, 18.2% and 43.1%, respectively, of the total fair value of our investment in debt securities. Auction rate and mortgage-backed securities represented 7.4% and 2.0%, respectively, of the total fair value of our investment in debt securities. Our after-tax yield for 2008 was 3.5%, compared to after-tax yields of 4.2% and 4.0% in 2007 and 2006, respectively.

Our ten largest holdings at December 31, 2008 appear in the table below:

	Market Value (in thousands of dollars)
1. Illinois State General Obligations	$ 150,245
2. Montana St. Higher Student Asst	62,500
3. Harris St. Higher Student Asst	59,260
4. New York Sales Tax Asset Receivable	55,237
5. Penn State Higher Educ Asst	54,700
6. Florida St. Brd Ed Lottery Rev	54,607
7. San Joaquin Hills California	51,963
8. California St. Economic Recovery	49,671
9. North Carolina Municipal Power	48,920
10. Brazos Texas Higher Education	48,100
	$ 635,203

Note: This table excludes securities issued by U.S. government, U.S. government agencies, GSEs, Federal Home Loan Banks and the Tennessee Valley Authority.

The sectors of our investment portfolio at December 31, 2008 appear in the table below:

	Percentage of Portfolio's Market Value
1. Municipal	87.1%
2. Asset Backed	3.4
3. Corporate	3.3
4. U.S. Treasuries	2.5
5. Foreign	2.2
6. Preferred Stock	1.3
7. Other Taxable	0.2
	100.0%

For further information concerning investment operations, see Note 4 to our consolidated financial statements in Item 8.

E. Regulation

Direct Regulation

We and our insurance subsidiaries, including MGIC, are subject to regulation by the insurance departments of the various states in which each insurance subsidiary is licensed to do business. The nature and extent of that regulation varies, but generally depends on statutes which delegate regulatory, supervisory and administrative powers to state insurance commissioners.

In general, regulation of our subsidiaries' business relates to:

- licenses to transact business;
- policy forms;
- premium rates;
- insurable loans;

- annual and other reports on financial condition;
- the basis upon which assets and liabilities must be stated;
- requirements regarding contingency reserves equal to 50% of premiums earned;
- minimum capital levels and adequacy ratios;
- reinsurance requirements;
- limitations on the types of investment instruments which may be held in an investment portfolio;
- the size of risks and limits on coverage of individual risks which may be insured;
- deposits of securities;
- limits on dividends payable; and
- claims handling.

Most states also regulate transactions between insurance companies and their parents or affiliates and have restrictions on transactions that have the effect of inducing lenders to place business with the insurer. For a discussion of a February 1, 1999 circular letter from the New York Insurance Department and a January 31, 2000 letter from the Illinois Department of Insurance, see “The MGIC Book—Types of Product—Pool Insurance” and “We are subject to the risk of private litigation and regulatory proceedings” in Item 1A. For a description of limits on dividends payable, see “Management’s Discussion and Analysis—Liquidity and Capital Resources” in Item 7 and Note 13 to our consolidated financial statements in Item 8.

Mortgage insurance premium rates are also subject to state regulation to protect policyholders against the adverse effects of excessive, inadequate or unfairly discriminatory rates and to encourage competition in the insurance marketplace. Any increase in premium rates must be justified, generally on the basis of the insurer’s loss experience, expenses and future trend analysis. The general mortgage default experience may also be considered. Premium rates are subject to review and challenge by state regulators. See “Management’s Discussion and Analysis — Liquidity and Capital Resources — Capital” in Item 7 for information about regulations governing our capital adequacy, information about our current capital and our expectations regarding our future capital position.

We are required to establish a contingency loss reserve in an amount equal to 50% of earned premiums. These amounts cannot be withdrawn for a period of 10 years, except under certain circumstances. For further information, see Note 2 to our consolidated financial statements in Item 8.

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

Wisconsin’s insurance regulations generally provide that no person may acquire control of us unless the transaction in which control is acquired has been approved by the Office of the Commissioner of Insurance of Wisconsin. The regulations provide for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities. In addition, the insurance regulations of other states in which MGIC is a licensed insurer require notification to the state’s insurance

department a specified time before a person acquires control of us. If regulators in these states disapprove the change of control, our licenses to conduct business in the disapproving states could be terminated. For further information about regulatory proceedings applicable to us and our industry, see “We are subject to the risk of private litigation and regulatory proceedings” in Item 1A.

As the most significant purchasers and sellers of conventional mortgage loans and beneficiaries of private mortgage insurance, Freddie Mac and Fannie Mae impose requirements on private mortgage insurers in order for them to be eligible to insure loans sold to the GSEs. These requirements are subject to change from time to time. Currently, we are an approved mortgage insurer for both Freddie Mac and Fannie Mae but our longer term eligibility could be negatively affected as discussed under “Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings” in Item 1A. In September 2008, the FHFA was appointed as the conservator of both of the GSEs. It is uncertain what impact the appointment of the FHFA as the GSEs’ conservator may have on the GSEs’ operations and activities. For additional information about the potential impact that any such changes may have on us, see the risk factor titled “Changes in the business practices of Fannie Mae and Freddie Mac could reduce our revenues or increase our losses.” in Item 1A and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Future of the Domestic Residential Housing Finance System” in Item 7.

The GSEs have approved the terms of our master policy. Any new master policy, or material changes to our existing master policy, would be subject to approval by the GSE’s

For information about the importance of our ratings, see the risk factor titled “Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings” in Item 1A.

Indirect Regulation

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

Subject to certain exceptions, in general, RESPA prohibits any person from giving or receiving any “thing of value” pursuant to an agreement or understanding to refer settlement services. See “We are subject to the risk of private litigation and regulatory proceedings” in Item 1A.

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

Lenders are subject to various laws, including the Home Mortgage Disclosure Act, the Community Reinvestment Act and the Fair Housing Act, and Fannie Mae and Freddie Mac are subject to various laws, including laws relating to government sponsored enterprises, which may impose obligations or

create incentives for increased lending to low and moderate income persons, or in targeted areas.

There can be no assurance that other federal laws and regulations affecting these institutions and entities will not change, or that new legislation or regulations will not be adopted which will adversely affect the private mortgage insurance industry. In this regard, see the risk factor titled "Changes in the business practices of Fannie Mae and Freddie Mac could reduce our revenues or increase our losses" in Item 1A.

F. Employees

At December 31, 2008, we had approximately 1,160 full- and part-time employees, of whom approximately 30% were assigned to our field offices. The number of employees given above does not include "on-call" employees. The number of "on-call" employees can vary substantially, primarily as a result of changes in demand for contract underwriting services. In recent years, the number of "on-call" employees has ranged from fewer than 200 to as many as 500.

G. Website Access

We make available, free of charge, through our Internet website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file these materials with the Securities and Exchange Commission. The address of our website is http://mtg.mgic.com, and such reports and amendments are accessible through the "Investor Information" and "Stockholder Information" links at such address.

Item 1A. Risk Factors.

Forward-Looking Statements and Risk Factors

Our revenues and losses may be affected by the risk factors discussed below. These risk factors are an integral part of this annual report.

These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. Forward looking statements consist of statements which relate to matters other than historical fact, including matters that inherently refer to future events. Among others, statements that include words such as we "believe", "anticipate", or "expect", or words of similar import, are forward looking statements. We are not undertaking any obligation to update any forward looking statements or other statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. No reader of this annual report should rely on the fact that such statements are current at any time other than the time at which this annual report was filed with the Securities and Exchange Commission.

Because our policyholders position could decline and our risk-to-capital could increase beyond the levels necessary to meet regulatory requirements we are considering options to obtain additional capital.

The Office of the Commissioner of Insurance of Wisconsin is our principal insurance regulator. To assess a mortgage guaranty insurer's capital adequacy, Wisconsin's insurance regulations require that a mortgage guaranty insurance company maintain "policyholders position" of not less than a minimum computed under a prescribed formula. If a mortgage guaranty insurer does not meet the minimum required by the formula it cannot write new business until its policyholders position meets the minimum. Some other states that regulate our mortgage guaranty insurance companies have similar regulations.

Some states that regulate us have provisions that limit the risk-to-capital ratio of a mortgage guaranty insurance company to 25:1. If an insurance company's risk-to-capital ratio exceeds the limit applicable in a state, it may be prohibited from writing new business in that state until its risk-to-capital ratio falls below the limit.

The mortgage insurance industry is experiencing material losses, especially on the 2006 and 2007 books. The ultimate amount of these losses will depend in part on general economic conditions, including unemployment, and the direction of home prices in California, Florida and other distressed markets, which in turn will be influenced by general economic conditions and other factors. Because we cannot predict future home prices or general economic conditions with confidence, there is significant uncertainty surrounding what our ultimate losses will be on our 2006 and 2007 books. Our current expectation, however, is that these books will continue to generate material incurred and paid losses for a number of years. Our view of potential losses on these books has trended upward since the first quarter of 2008, including since the time at which we finalized our Quarterly Report on Form 10-Q for the third quarter of 2008. Unless recent loss trends materially mitigate, MGIC's policyholders position could decline and its risk-to-capital could increase beyond the levels necessary to meet regulatory requirements to write new business and this could occur before the end of 2009. As a result, we are considering options to obtain capital to write new business, which could occur through the sale of equity or debt securities, from reinsurance and/or through the use of claims paying resources that should not be needed to cover obligations on our existing insurance in force. While we have not pursued raising capital from private sources, we initiated discussions with the US Treasury late in October 2008 to seek a capital investment and/or reinsurance under the Troubled Assets Relief Program ("TARP"). We understand there is intense competition for TARP and other government assistance. We cannot predict whether we will be successful in obtaining capital from any source but any sale of additional securities could dilute substantially the interest of existing shareholders and other forms of capital relief could also result in additional costs.

Changes in the business practices of Fannie Mae and Freddie Mac could reduce our revenues or increase our losses.

The majority of our insurance written is for loans sold to Fannie Mae and Freddie Mac, each of which is a government sponsored entity, or GSE. As a result, the business practices of the GSEs 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 (which may be changed by federal legislation) when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,
- the amount of loan level delivery fees (which result in higher costs to borrowers) that Fannie Mae or Freddie Mac assess on loans that require mortgage insurance,
- 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,
- the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which can affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans,
- the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law, and
- the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

In September 2008, the Federal Housing Finance Agency ("FHFA") was appointed as the conservator of Fannie Mae and Freddie Mac. As their conservator, FHFA controls and directs the operations of Fannie Mae and Freddie Mac. The appointment of FHFA as conservator, the increasing role that the federal government has assumed in the residential mortgage market, our industry's inability, due to capital constraints, to write sufficient business to meet the needs of Fannie Mae and Freddie Mac or other factors may increase the likelihood that the business practices of Fannie Mae and Freddie Mac change in ways that

may have a material adverse effect on us. In addition, these factors may increase the likelihood that the charters of Fannie Mae and Freddie Mac are changed by new federal legislation. Such changes may allow Fannie Mae and Freddie Mac to reduce or eliminate the level of private mortgage insurance coverage that they use as credit enhancement.

In addition, both Fannie Mae and Freddie Mac have policies which provide guidelines on terms under which they can conduct business with mortgage insurers with financial strength ratings below Aa3/AA-. For information about how these policies could affect us, see the risk factor titled "Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings."

A downturn in the domestic economy or a decline in the value of borrowers' homes from their value at the time their loans closed may result in more homeowners defaulting and our losses increasing.

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. In general, favorable economic conditions reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. A deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values, which in turn can influence the willingness of borrowers with sufficient resources to make mortgage payments to do so when the mortgage balance exceeds the value of the home. Housing values may decline even absent a deterioration in economic conditions due to declines in demand for homes, which in turn may result from changes in buyers' perceptions of the potential for future appreciation, restrictions on mortgage credit due to more stringent underwriting standards, liquidity issues affecting lenders or other factors. The residential mortgage market in the United States has for some time experienced a variety of worsening economic conditions and housing values in many areas continue to decline. The credit crisis that began in September 2008 may result in further deterioration in economic conditions and home values.

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

Even when housing values are stable or rising, certain types of mortgages have higher probabilities of claims. These segments include loans with loan-to-value ratios over 95% (including loans with 100% loan-to-value ratios or in certain markets that have experienced declining housing values, over 90%), FICO credit scores below 620, limited underwriting, including limited borrower documentation, or total debt-to-income ratios of 38% or higher, as well as loans having combinations of higher risk factors. As of December 31, 2008, approximately 60% of our primary risk in force consisted of loans with loan-to-value ratios equal to or greater than 95%, 9.3% had FICO credit scores below 620, and 13.7% had limited underwriting, including limited borrower documentation. A material portion of these loans were written in 2005 — 2007 and through the first quarter of 2008. (In accordance with industry practice, loans approved by GSEs and other automated underwriting systems under "doc waiver" programs that do not require verification of borrower income are classified by us as "full documentation." For additional information about such loans, see footnote (3) to the table titled "Default Statistics for the MGIC Book" in Item 1.)

Beginning in the fourth quarter of 2007 we made a series of changes to our underwriting guidelines in an effort to improve the risk profile of our new business. Requirements imposed by new guidelines, however, only affect business written under commitments to insure loans that are issued after

those guidelines become effective. Business for which commitments are issued after new guidelines are announced and before they become effective is insured by us in accordance with the guidelines in effect at time of the commitment even if that business would not meet the new guidelines. For commitments we issue for loans that close and are insured by us, a period longer than a calendar quarter can elapse between the time we issue a commitment to insure a loan and the time we receive the payment of the first premium and report the loan in our risk in force, although this period is generally shorter.

As of December 31, 2008, approximately 3.7% of our primary risk in force written through the flow channel, and 46.0% of our primary risk in force written through the bulk channel, consisted of adjustable rate mortgages in which the initial interest rate may be adjusted during the five years after the mortgage closing (“ARMs”). We classify as fixed rate loans adjustable rate mortgages in which the initial interest rate is fixed during the five years after the mortgage closing. We believe that when the reset interest rate significantly exceeds the interest rate at loan origination, claims on ARMs would be substantially higher than for fixed rate loans. Moreover, even if interest rates remain unchanged, claims on ARMs with a “teaser rate” (an initial interest rate that does not fully reflect the index which determines subsequent rates) may also be substantially higher because of the increase in the mortgage payment that will occur when the fully indexed rate becomes effective. In addition, we believe the volume of “interest-only” loans, which may also be ARMs, and loans with negative amortization features, such as pay option ARMs, increased in 2005 and 2006 and remained at these levels during the first half of 2007, before beginning to decline in the second half of 2007. We believe claim rates on certain of these loans will be substantially higher than on loans without scheduled payment increases that are made to borrowers of comparable credit quality.

Although we attempt to incorporate these higher expected claim rates into our underwriting and pricing models, there can be no assurance that the premiums earned and the associated investment income will prove adequate to compensate for actual losses even under our current underwriting guidelines. We do, however, believe that given the various changes in our underwriting guidelines that are effective in 2008, our 2008 book (which consists of loans we committed to insure in 2008 that closed and become insured by us) will generate underwriting profit, although as economic conditions have continued to deteriorate the amount of such profit has declined over the amount we were expecting at the end of the third quarter of 2008.

Because we establish loss reserves only upon a loan default rather than based on estimates of our ultimate losses, our earnings may be adversely affected by losses disproportionately in certain periods.

In accordance with GAAP for the mortgage insurance industry, we establish loss reserves only for loans in default. 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 that have not yet been reported to us by the servicers (this is what is referred to as “IBNR” in the mortgage insurance industry). We establish reserves using estimated claims rates and claims amounts in estimating the ultimate loss. Because our reserving method does not take account of the impact of future losses that could occur from loans that are not delinquent, our obligation for ultimate losses that we expect to occur under our policies in force at any period end is not reflected in our financial statements, except in the case where a premium deficiency exists. As a result, future losses may have a material impact on future results as losses emerge.

Because loss reserve estimates are subject to uncertainties and are based on assumptions that are currently very volatile, paid claims may be substantially different than our loss reserves.

We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss on delinquent loans. The estimated claim rates and claim amounts represent what we believe best reflect the estimate of what will actually be paid on the loans in default as of the reserve date.

The establishment of loss reserves is subject to inherent uncertainty and requires judgment by management. Current conditions in the housing and mortgage industries make the assumptions that we use to establish loss reserves more volatile than they would otherwise be. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values that could materially reduce our ability to mitigate potential loss through property acquisition and resale or expose us to greater loss on resale of properties obtained through the claim settlement process. Changes to our estimates could result in material impact to our results of operations, even in a stable economic environment, and there can be no assurance that actual claims paid by us will not be substantially different than our loss reserves.

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

We set premiums at the time a policy is issued based on our expectations regarding likely performance over the long-term. Generally, we cannot cancel the mortgage insurance coverage or adjust renewal premiums during the life of a mortgage insurance policy. As a result, higher than anticipated claims generally cannot be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. The premiums we charge, and the associated investment income, may not be adequate to compensate us for the risks and costs associated with the insurance coverage provided to customers. An increase in the number or size of claims, compared to what we anticipate, could adversely affect our results of operations or financial condition.

In January 2008, we announced that we had decided to stop writing the portion of our bulk business that insures loans which are included in Wall Street securitizations because the performance of loans included in such securitizations deteriorated materially in the fourth quarter of 2007 and this deterioration was materially worse than we experienced for loans insured through the flow channel or loans insured through the remainder of our bulk channel. As of December 31, 2007 we established a premium deficiency reserve of approximately $1.2 billion. As of December 31, 2008, the premium deficiency reserve was $454 million. At each date, the premium deficiency reserve is the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves on these bulk transactions.

The mortgage insurance industry is experiencing material losses, especially on the 2006 and 2007 books. The ultimate amount of these losses will depend in part on general economic conditions, including unemployment, and the direction of home prices in California, Florida and other distressed markets, which in turn will be influenced by general economic conditions and other factors. Because we cannot predict future home prices or general economic conditions with confidence, there is significant uncertainty surrounding what our ultimate losses will be on our 2006 and 2007 books. Our current expectation, however, is that these books will continue to generate material incurred and paid losses for a number of years. Our view of potential losses on these books has trended upward since the first quarter of 2008, including since the time at which we finalized our Quarterly Report on Form 10-Q for the third quarter of 2008. There can be no assurance that additional premium deficiency reserves on Wall Street Bulk or on other portions of our insurance portfolio will not be required.

The amounts that we owe under our revolving credit facility and Senior Notes could be accelerated.

We have a $300 million bank revolving credit facility that matures in March 2010 under which $200 million is currently outstanding, $200 million of Senior Notes due in September 2011 and $300 million of Senior Notes due in November 2015.

Our revolving credit facility includes three financial covenants. First, it requires that we maintain Consolidated Net Worth of no less than $2.00 billion at all times. However, if as of June 30, 2009, our Consolidated Net Worth equals or exceeds $2.75 billion, then the minimum Consolidated Net Worth under the facility will be increased to $2.25 billion at all times from and after June 30, 2009. Consolidated Net Worth is generally defined in our credit agreement as the sum of our consolidated stockholders' equity (determined in accordance with GAAP) plus the aggregate outstanding principal amount of our 9% Convertible Junior Subordinated Debentures due 2063. The current aggregate outstanding principal amount of our 9% Convertible Junior Subordinated Debentures due 2063 is $390 million.

At December 31, 2008, our Consolidated Net Worth was approximately $2.7 billion. We expect we will have a net loss in 2009, with the result that we expect our Consolidated Net Worth to decline. There can be no assurance that losses in or after 2009 will not reduce our Consolidated Net Worth below the minimum amount required.

In addition, regardless of our results of operations, our Consolidated Net Worth would be reduced to the extent the carrying value of our investment portfolio declines from its carrying value at December 31, 2008 due to market value adjustments. At December 31, 2008, the modified duration of our fixed income portfolio was 4.3 years, which means that an instantaneous parallel upward shift in the yield curve of 100 basis points would result in a decline of 4.3% (approximately $340 million) in the market value of this portfolio. Market value adjustments could also occur as a result of changes in credit spreads.

The other two financial covenants require that MGIC's risk-to-capital ratio not exceed 22:1 and that MGIC maintain policyholders position of not less than the amount required by Wisconsin insurance regulations. We discuss MGIC's risk-to-capital ratio and its policyholders position in the risk factor titled "Because our policyholders position could decline and our risk-to-capital could increase beyond the levels necessary to meet regulatory requirements we are exploring options to obtain additional capital."

Covenants in the Senior Notes include the requirement that there be no liens on the stock of the designated subsidiaries unless the Senior Notes are equally and ratably secured; that there be no disposition of the stock of designated subsidiaries unless all of the stock is disposed of for consideration equal to the fair market value of the stock; and that we and the designated subsidiaries preserve their

corporate existence, rights and franchises unless we or such subsidiary determines that such preservation is no longer necessary in the conduct of its business and that the loss thereof is not disadvantageous to the Senior Notes. A designated subsidiary is any of our consolidated subsidiaries which has shareholder's equity of at least 15% of our consolidated shareholders equity.

We currently have sufficient liquidity at our holding company to repay the amounts owed under our revolving credit facility. If (i) we fail to maintain any of the requirements under the credit facility discussed above, (ii) we fail to make a payment of principal when due under the credit facility or a payment of interest within five days after due under the credit facility, (iii) we fail to make an interest payment when due under either series of our Senior Notes or (iv) our payment obligations under our Senior Notes are declared due and payable (including for one of the reasons noted in the following paragraph) and we are not successful in obtaining an agreement from banks holding a majority of the debt outstanding under the facility to change (or waive) the applicable requirement, then banks holding a majority of the debt outstanding under the facility would have the right to declare the entire amount of the outstanding debt due and payable.

If (i) we fail to meet any of the covenants of the Senior Notes discussed above, (ii) we fail to make a payment of principal of the Senior Notes when due or a payment of interest on the Senior Notes within thirty days after due or (iii) the debt under our bank facility is declared due and payable (including for one of the reasons noted in the previous paragraph) and we are not successful in obtaining an agreement from holders of a majority of the applicable series of Senior Notes to change (or waive) the applicable requirement or payment default, then the holders of 25% or more of either series of our Senior Notes each would have the right to accelerate the maturity of that debt. In addition, the Trustee of these two issues of Senior Notes, which is also a lender under our bank credit facility, could, independent of any action by holders of Senior Notes, accelerate the maturity of the Senior Notes.

In the event the amounts owing under our credit facility or Senior Notes are accelerated, we may not have sufficient funds to repay such amounts.

Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings.

The financial strength of MGIC, our principal mortgage insurance subsidiary, is rated Ba2 by Moody's Investors Service and the outlook for this rating is considered, by Moody's, to be developing. Standard & Poor's Rating Services' insurer financial strength rating of MGIC is A- with a negative outlook. The financial strength of MGIC is rated A- by Fitch Ratings with a negative outlook.

The mortgage insurance industry historically viewed a financial strength rating of Aa3/AA- as critical to writing new business. In part this view has resulted from the mortgage insurer eligibility requirements of the GSEs, which each year purchase the majority of loans insured by us and the rest of the mortgage insurance industry, along with the risk-based capital stress test for the GSEs which provided incentives for the GSEs to use private mortgage insurance provided by insurers with the highest ratings.

At the beginning of 2007, all of the eight private mortgage insurers then writing new insurance had ratings of at least Aa3/AA- and all of them were treated the same under the risk-based capital stress test applicable to the GSEs. Since then, one of the eight private mortgage insurers ceased writing new insurance and six of the other seven private mortgage insurers have been downgraded below Aa3/AA-. The only private mortgage insurer that has maintained a rating of at least Aa3/AA- has an insignificant market share.

In February 2008, after several private mortgage insurers were downgraded below Aa3/AA-, Freddie Mac and Fannie Mae announced that they were temporarily suspending the portion of their eligibility requirements that impose additional restrictions on a mortgage insurer that is downgraded below Aa3/AA- if the affected insurer commits to submitting a written remediation plan for their approval. After Freddie Mac and Fannie Mae suspended this portion of their eligibility requirements, we were downgraded below Aa3/AA-. We have submitted written remediation plans to

both Freddie Mac and Fannie Mae. We believe that both Freddie Mac and Fannie Mae view their processes of reviewing remediation plans as continuing processes that should continue until the party submitting the remediation plan has regained a rating of at least Aa3/AA-. Our remediation plans include projections of our future financial performance. There can be no assurance that we will be able to successfully complete our remediation plans. In addition, there can be no assurance that Freddie Mac and Fannie Mae will continue the positions described above with respect to mortgage insurers that have been downgraded below Aa3/AA-.

Apart from the effect of the eligibility requirements of the GSEs, we believe lenders who hold mortgages in portfolio and choose to obtain mortgage insurance on the loans assess a mortgage insurer's financial strength rating as one element of the process through which they select mortgage insurers. As a result of these considerations, including MGIC's ratings downgrades since the beginning of 2008, MGIC may be competitively disadvantaged.

Loan modification and other similar programs may not provide material benefits to us.

Beginning in the fourth quarter of 2008, the federal government, including through the FDIC and the GSEs, and several lenders have adopted programs to modify loans to make them more affordable to borrowers with the goal of reducing the number of foreclosures. All of these programs are being rolled out or in their early stages and it is unclear whether they will result in a significant number of loan modifications. In February 2009, the Obama Administration announced the Homeowner Affordability and Stability Plan that has the intent of helping millions of homeowners receive more favorable mortgage terms. Full details of the plan were not available at the time this annual report was finalized. One or more of these programs may be implemented in a manner that eliminates the need for mortgage insurance for groups of loans that our industry has traditionally insured. Even if a loan is modified, we do not know how many modified loans will subsequently re-default, resulting in losses for us that could be greater than we would have paid had the loan not been modified. As a result, we cannot ascertain with confidence whether these programs will provide material benefits to us. In addition, because we do not have information in our database for all of the parameters used to determine which loans are eligible for modification programs, our estimates of the number of qualifying loans are inherently uncertain. If legislation is enacted to permit a mortgage balance to be reduced in bankruptcy, we would still be responsible to pay the original balance if the borrower re-defaulted on that mortgage after its balance had been reduced. Various government entities and private parties have enacted foreclosure moratoriums. A moratorium does not affect the accrual of interest and other expenses on a loan. Unless a loan is modified during a moratorium to cure the default, at the expiration of the moratorium additional interest and expenses would be due which could result on our losses on loans subject to the moratorium being higher than if there had been no moratorium.

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

In each year, most of our 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 a significant determinant of our revenues. The factors affecting the length of time our insurance remains in force include:

- the level of current mortgage interest rates compared to the mortgage coupon rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings, and
- mortgage insurance cancellation policies of mortgage investors along with the current value of the homes underlying the mortgages in the insurance in force.

During the 1990s, our year-end persistency ranged from a high of 87.4% at December 31, 1990 to a low of 68.1% at December 31, 1998. At December 31, 2008 persistency was at 84.4%, compared to the

record low of 44.9% at September 30, 2003. Since the 1990s, refinancing has become easier to accomplish and less costly for many consumers. Hence, even in an interest rate and house price environment favorable to persistency improvement, persistency may not reach its December 31, 1990 level. Recently, mortgage interest rates have reached historic lows by some measures, and we expect to see an increase in the portion of our business attributable to refinances.

The amount of insurance we write 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,
- lenders and other investors holding mortgages in portfolio and self-insuring,
- investors using credit enhancements other than private mortgage insurance, using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, or accepting credit risk without credit enhancement, and
- lenders originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10%, 15% or 20% loan-to-value ratio (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% loan-to-value ratio that has private mortgage insurance.

We believe the Federal Housing Administration, which until 2008 was not viewed by us as a significant competitor, substantially increased its market share in 2008.

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

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but also 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 or serviced by the lender. As discussed under "We are subject to risk from private litigation and regulatory proceedings" below, we provided information to the New York Insurance Department and the Minnesota Department of Commerce about captive mortgage reinsurance arrangements and the Department of Housing and Urban Development, commonly referred to as HUD, issued a subpoena covering similar information. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

In recent years, the level of competition within the private mortgage insurance industry has been intense as many large mortgage lenders reduced the number of private mortgage insurers with whom they do business. At the same time, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders. Our private mortgage insurance competitors include:

- PMI Mortgage Insurance Company,

- Genworth Mortgage Insurance Corporation,
- United Guaranty Residential Insurance Company,
- Radian Guaranty Inc.,
- Republic Mortgage Insurance Company, whose parent, based on information filed with the SEC through February 20, 2009, is our largest shareholder, and
- CMG Mortgage Insurance Company.

Our relationships with our customers could be adversely affected by a variety of factors, including continued tightening of our underwriting guidelines, which have resulted in our declining to insure some of the loans originated by our customers, and our decision to discontinue ceding new business under excess of loss reinsurance programs. We believe the Federal Housing Administration, which in recent years was not viewed by us as a significant competitor, substantially increased its market share in 2008.

While the mortgage insurance industry has not had new entrants in many years, the perceived increase in credit quality of loans that are being insured today combined with the deterioration of the financial strength ratings of the existing mortgage insurance companies could encourage new entrants.

Our common stock could be delisted from the NYSE.

The listing of our common stock on the NYSE is subject to compliance with NYSE's continued listing standards, including that the average closing price of our common stock during any 30 trading day period equal or exceed $1.00 and that our average market capitalization for any such period equal or exceed $25 million. The NYSE can also, in its discretion, discontinue listing a company's common stock if the company discontinues a substantial portion of its operations. If we do not satisfy any of NYSE's continued listing standards or if we cease writing new insurance, our common stock could be delisted from the NYSE unless we cure the deficiency during the time provided by the NYSE. If the NYSE were to delist our common stock, it likely would result in a significant decline in the trading price, trading volume and liquidity of our common stock. We also expect that the suspension and delisting of our common stock would lead to decreases in analyst coverage and market-making activity relating to our common stock, as well as reduced information about trading prices and volume. As a result, it could become significantly more difficult for our shareholders to sell their shares of our common stock at prices comparable to those in effect prior to delisting or at all.

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

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

- restrictions on mortgage credit due to more stringent underwriting standards and liquidity issues affecting lenders,
- 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.

We are subject to the risk of private litigation and regulatory proceedings.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. Seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC's settlement of class action litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. While we are not a defendant in any of these cases, there can be no assurance that we will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department, we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the New York Insurance Department requested MGIC to review its premium rates in New York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, MGIC advised the New York Insurance Department that it believes its premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce, which regulates insurance, we provided the Department with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the Minnesota Department of Commerce, and beginning in March 2008 that Department has sought additional information as well as answers to questions regarding captive mortgage reinsurance on several occasions. In June 2008, we received a subpoena from the Department of Housing and Urban Development, commonly referred to as HUD, seeking information about captive mortgage reinsurance similar to that requested by the Minnesota Department of Commerce, but not limited in scope to the state of Minnesota. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that the Department of Housing and Urban Development as well as the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While we believe our captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

In October 2007, the Division of Enforcement of the Securities and Exchange Commission requested that we voluntarily furnish documents and information primarily relating to C-BASS, the now-terminated merger with Radian and the subprime mortgage assets "in the Company's various lines of business." We are providing responsive documents and/or other information to the Securities and Exchange Commission. As part of its initial information request, the SEC staff informed us that this investigation should not be construed as an indication by the SEC or its staff that any violation of the securities laws has occurred, or as a reflection upon any person, entity or security.

In 2008, complaints in five separate purported stockholder class action lawsuits were filed against us, several of our officers and an officer of C-BASS. The allegations in the complaints are generally that through these individuals we violated the federal securities laws by failing to disclose or misrepresenting C-BASS's liquidity, the impairment of our investment in C-BASS, the inadequacy of our loss reserves and that we were not adequately capitalized. The collective time period covered by these lawsuits begins on October 12, 2006 and ends on February 12, 2008. The complaints seek damages based on purchases of our stock during this time period at prices that were allegedly inflated as a result of the purported misstatements and omissions. With limited exceptions, our bylaws provide that our officers are entitled to indemnification from us for claims against them of the type alleged in the complaints. We believe, among other things, that the allegations in the complaints are not sufficient to prevent their dismissal and intend to defend against them vigorously. However, we are unable to predict the outcome of these cases or estimate our associated expenses or possible losses.

Other lawsuits alleging violations of the securities laws could be brought against us. In December 2008, a holder of a class of certificates in a publicly offered securitization for which C-BASS was the sponsor brought a purported class action under the federal securities laws against C-BASS; the issuer of such securitization, which was an affiliate of a major Wall Street underwriter; and the underwriters alleging material misstatements in the offering documents. The complaint describes C-BASS as a venture of MGIC, Radian Group and the management of C-BASS and refers to Doe defendants who are unknown to the plaintiff but who the complaint says are legally responsible for the events described in the complaint. The complaint also says that the plaintiff will seek to amend the complaint when the identities of these additional defendants have been ascertained.

Two law firms have issued press releases to the effect that they are investigating whether the fiduciaries of our 401(k) plan breached their fiduciary duties regarding the plan's investment in or holding of our common stock. With limited exceptions, our bylaws provide that the plan fiduciaries are entitled to indemnification from us for claims against them. We intend to defend vigorously any proceedings that may result from these investigations.

The Internal Revenue Service has proposed significant adjustments to our taxable income for 2000 through 2004.

The Internal Revenue Service conducted an examination of our federal income tax returns for taxable years 2000 though 2004. On June 1, 2007, as a result of this examination, we received a revenue agent report. The adjustments reported on the revenue agent report would substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy related penalties, plus applicable interest. We have agreed with the Internal Revenue Service on certain issues and paid $10.5 million in additional taxes and interest. The remaining open issue relates to our treatment of the flow through income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits, or REMICs. This portfolio has been managed and maintained during years prior to, during and subsequent to the examination period. The Internal Revenue Service has indicated that it does not believe, for various reasons, that we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income.

We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and have appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. In July 2007, we made a payment on account of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest. We believe, after discussions with outside counsel about the issues raised in the revenue agent report and the procedures for resolution of the disputed adjustments, that an adequate provision for income taxes has been made for potential liabilities that may result from these notices. If the outcome of this matter results in payments that differ materially from our expectations, it could have a material impact on our effective tax rate, results of operations and cash flows.

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

As part of our business, we maintain large amounts of personal information on consumers. While we believe we have appropriate information security policies and systems to prevent unauthorized disclosure, there can be no assurance that unauthorized disclosure, either through the actions of third parties or employees, will not occur. Unauthorized disclosure could adversely affect our reputation and expose us to material claims for damages.

The implementation of the Basel II capital accord may discourage the use of mortgage insurance.

In 1988, the Basel Committee on Banking Supervision developed the Basel Capital Accord (the Basel I), which set out international benchmarks for assessing banks' capital adequacy requirements. In June 2005, the Basel Committee issued an update to Basel I (as revised in November 2005, Basel II). Basel II was implemented by many banks in the United States and many other countries in 2008 and may be implemented by the remaining banks in the United States and many other countries in 2009. Basel II affects the capital treatment provided to mortgage insurance by domestic and international banks in both their origination and securitization activities.

The Basel II provisions related to residential mortgages and mortgage insurance may provide incentives to certain of our bank customers not to insure mortgages having a lower risk of claim and to insure mortgages having a higher risk of claim. The Basel II provisions may also alter the competitive positions and financial performance of mortgage insurers in other ways, including reducing our ability to successfully establish or operate our planned international operations.

We may not be able to recover the capital we invested in our Australian operations for many years and may not recover all of such capital.

We have committed significant resources to begin international operations, primarily in Australia, where we started to write business in June 2007. In view of our need to dedicate capital to our domestic mortgage insurance operations, we have been exploring alternatives for our Australian activities which may include a sale of our Australian operations. As a result, we have reduced our Australian headcount and suspended writing new business in Australia. Unless we are successful in a sale in the first half of 2009, we may place our existing Australian book of business into runoff. In addition to the general economic and insurance business-related factors discussed above, we are subject to a number of other risks from having deployed capital in Australia, including foreign currency exchange rate fluctuations and interest-rate volatility particular to Australia.

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

We depend on reliable, consistent third-party servicing of the loans that we insure. A recent trend in the mortgage lending and mortgage loan servicing industry has been towards consolidation of loan servicers. This reduction in the number of servicers could lead to disruptions in the servicing of mortgage loans covered by our insurance policies. In addition, current housing market trends have led to significant increases in the number of delinquent mortgage loans requiring servicing. These increases have strained the resources of servicers, reducing their ability to undertake mitigation efforts that could help limit our losses. Future housing market conditions could lead to additional such increases. Managing a substantially higher volume of non-performing loans could lead to disruptions in the servicing of mortgage loans covered by our insurance policies. Disruptions in servicing, in turn, could contribute to a rise in delinquencies among those loans and could have a material adverse effect on our business, financial condition and operating results.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

At December 31, 2008, we leased office space in various cities throughout the United States under leases expiring between 2009 and 2015 and which required annual rentals of $2.8 million in 2008.

We own our headquarters facility and an additional office/warehouse facility, both located in Milwaukee, Wisconsin, which contain an aggregate of approximately 310,000 square feet of space.

Item 3. Legal Proceedings.

Complaints in five purported stockholder class action lawsuits have been filed against us and several of our officers. *Wayne County Employees' Retirement System v. MGIC Investment Corporation* was filed in May 2008, *Plumbers' & Pipefitters' Local #562 Pension Fund v. MGIC Investment Corporation* was filed in May 2008, *Teamsters Local 456 Annuity Fund v. MGIC Investment Corporation* was filed in June 2008, *Minneapolis Firefighters' Relief Association v. MGIC Investment Corporation* was filed in July 2008 and *Fulton County Employees' Retirement System v. MGIC Investment Corporation* was filed in October 2008. With the exception of *Wayne County Employees' Retirement System*, which was filed in the U.S. District Court for the Eastern District of Michigan, all of these lawsuits were filed in the U.S. District Court for the Eastern District of Wisconsin.

The allegations in the complaints are generally that through the officers named in the complaints, we violated the federal securities laws by failing to disclose or misrepresenting C-BASS's liquidity, the impairment of our investment in C-BASS, the inadequacy of our loss reserves and that we were not adequately capitalized. The collective time period covered by these lawsuits begins on October 12, 2006 and ends on February 12, 2008. The complaints seek damages based on purchases of our stock during this time period at prices that were allegedly inflated as a result of the purported misstatements and omissions. With limited exceptions, our bylaws provide that our officers are entitled to indemnification from us for claims against them of the type alleged in the complaints. We believe, among other things, that the allegations in the complaints are not sufficient to prevent their dismissal and intend to defend against them vigorously. However, we are unable to predict the outcome of these cases or estimate our associated expenses or possible losses.

In addition, we are involved in other 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 our financial position or results of operations.

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For information about the risk of certain legal proceedings, see the text under “We are subject to the risk of private litigation and regulatory proceedings” under “Risk factors” in Item 1A, which is incorporated by reference.

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

None.

Executive Officers

Certain information with respect to our executive officers as of March 1, 2009 is set forth below:

Name and Age	Title
Curt S. Culver, 56	Chairman of the Board and Chief Executive Officer of MGIC Investment Corporation and MGIC; Director of MGIC Investment Corporation and MGIC
Patrick Sinks, 52	President and Chief Operating Officer of MGIC Investment Corporation and MGIC
J. Michael Lauer, 64	Executive Vice President and Chief Financial Officer of MGIC Investment Corporation and MGIC
Lawrence J. Pierzchalski, 56	Executive Vice President- Risk Management of MGIC
Jeffrey H. Lane, 59	Executive Vice President, General Counsel and Secretary of MGIC Investment Corporation and MGIC
James A. Karpowicz, 61	Senior Vice President-Chief Investment Officer and Treasurer of MGIC Investment Corporation and MGIC
Michael G. Meade, 59	Senior Vice President-Information Services and Chief Information Officer of MGIC

Mr. Culver has served as our Chief Executive Officer since January 2000 and as our Chairman of the Board since January 2005. He was our President from January 1999 to January 2006 and was President of MGIC from May 1996 to January 2006. Mr. Culver has been a senior officer of MGIC since 1988 having responsibility at various times during his career with MGIC for field operations, marketing and corporate development. From March 1985 to 1988, he held various management positions with MGIC in the areas of marketing and sales.

Mr. Sinks became our and MGIC’s President and Chief Operating Officer in January 2006. He was Executive Vice President-Field Operations of MGIC from January 2004 to January 2006 and was Senior Vice President-Field Operations of MGIC from July 2002 to January 2004. From March 1985 to July 2002, he held various positions within MGIC’s finance and accounting organization, the last of which was Senior Vice President, Controller and Chief Accounting Officer.

Mr. Lauer has served as our and MGIC’s Executive Vice President and Chief Financial Officer since March 1989.

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

Mr. Lane has served as our and MGIC's Executive Vice President, General Counsel and Secretary since January 2008 and prior thereto as our Senior Vice President, General Counsel and Secretary from August 1996 to January 2008. For more than five years prior to his joining us, Mr. Lane was a partner of Foley & Lardner, a law firm headquartered in Milwaukee, Wisconsin.

Mr. Karpowicz has served as our and MGIC's Senior Vice President-Chief Investment Officer and Treasurer since January, 2005 and has been Treasurer since 1998. From 1986 to January, 2005, he held various positions within MGIC's investment operations organization, the last of which was Vice President.

Mr. Meade has served as MGIC's Senior Vice President-Information Services and Chief Information Officer since February 1992. From 1985 to 1992 he held various positions within MGIC's information services organization, the last of which was Vice President-Information Services.

PART II

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

(a) Our Common Stock is listed on the New York Stock Exchange under the symbol "MTG." The following table sets forth for 2007 and 2008 by calendar quarter the high and low sales prices of our Common Stock on the New York Stock Exchange.

Quarter	2007 High	2007 Low	2008 High	2008 Low
First	$68.96	$53.90	$22.72	$9.60
Second	66.46	53.61	14.14	5.41
Third	57.94	27.28	12.50	3.51
Fourth	36.71	16.18	8.91	1.58

In 2007 and 2008, we declared and paid the following cash dividends:

Quarter	2007	2008
First	$ .250	$ .025
Second	.250	.025
Third	.250	.025
Fourth	.025	.000
	$ 0.775	$ 0.075

In October 2008, the Board discontinued payment of our dividend. The payment of future dividends is subject to the discretion of our Board and will depend on many factors, including our operating results, financial condition and capital position. We are a holding company and the payment of dividends from our insurance subsidiaries is restricted by insurance regulation. For a discussion of these restrictions, see "Management's Discussion and Analysis — Liquidity and Capital Resources" in Item 7 of this annual report and Note 11 to our consolidated financial statements in Item 8, which are incorporated by reference.

As of February 15, 2009, the number of shareholders of record was 140. In addition, we estimate there

are more than 60,000 beneficial owners of shares held by brokers and fiduciaries.

Information regarding equity compensation plans is contained in Item 12.

(b) Not applicable.

(c) We did not repurchase any shares of Common Stock during the fourth quarter of 2008.

Item 6. Selected Financial Data.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(In thousands of dollars, except per share data)				
Summary of Operations					
Revenues:					
Net premiums written	$ 1,466,047	1,345,794	$ 1,217,236	$ 1,252,310	$ 1,305,417
Net premiums earned	$ 1,393,180	1,262,390	$ 1,187,409	$ 1,238,692	$ 1,329,428
Investment income, net	308,517	259,828	240,621	228,854	215,053
Realized investment (losses) gains, net	(12,486)	142,195	(4,264)	14,857	17,242
Other revenue	32,315	28,793	45,403	44,127	50,970
Total revenues	1,721,526	1,693,206	1,469,169	1,526,530	1,612,693
Losses and expenses:					
Losses incurred, net	3,071,501	2,365,423	613,635	553,530	700,999
Change in premium deficiency reserves	(756,505)	1,210,841	—	—	—
Underwriting and other expenses	271,314	309,610	290,858	275,416	278,786
Reinsurance fee	1,781	—	—	—	—
Interest expense	71,164	41,986	39,348	41,091	41,131
Total losses and expenses	2,659,255	3,927,860	943,841	870,037	1,020,916
(Loss) income before tax and joint ventures	(937,729)	(2,234,654)	525,328	656,493	591,777
(Credit) provision for income tax	(394,329)	(833,977)	130,097	176,932	159,348
Income (loss) from joint ventures, net of tax	24,486	(269,341)	169,508	147,312	120,757
Net (loss) income	$ (518,914)	(1,670,018)	$ 564,739	$ 626,873	$ 553,186
Weighted average common shares outstanding (in thousands)	113,962	81,294	84,950	92,443	98,245
Diluted (loss) earnings per share	$ (4.55)	(20.54)	$ 6.65	$ 6.78	$ 5.63
Dividends per share	$ 0.075	0.775	$ 1.00	$ 0.525	$ 0.225
Balance sheet data					
Total investments	$ 7,045,536	5,896,233	$ 5,252,422	$ 5,295,430	$ 5,418,988
Total assets	9,182,829	7,716,361	6,621,671	6,357,569	6,380,691
Loss reserves	4,775,552	2,642,479	1,125,715	1,124,454	1,185,594
Premium deficiency reserves	454,336	1,210,841	—	—	—
Short- and long-term debt	698,446	798,250	781,277	685,163	639,303
Convertible debentures	375,593	—	—	—	—
Shareholders’ equity	2,367,200	2,594,343	4,295,877	4,165,055	4,143,639
Book value per share	18.93	31.72	51.88	47.31	43.05

	Year Ended December 31,				
	2008	2007	2006	2005	2004
New primary insurance written ($ millions)	$ 48,230	$ 76,806	$ 58,242	$ 61,503	$ 62,902
New primary risk written ($ millions)	11,669	19,632	15,937	16,836	16,792
New pool risk written ($ millions)(1)	145	211	240	358	208
Insurance in force (at year-end) ($ millions)					
Direct primary insurance	226,955	211,745	176,531	170,029	177,091
Direct primary risk	58,981	55,794	47,079	44,860	45,981
Direct pool risk(1)	1,902	2,800	3,063	2,909	3,022
Primary loans in default ratios					
Policies in force	1,472,757	1,437,432	1,283,174	1,303,084	1,413,678
Loans in default	182,188	107,120	78,628	85,788	85,487
Percentage of loans in default	12.37%	7.45%	6.13%	6.58%	6.05%
Percentage of loans in default — bulk	32.64%	21.91%	14.87%	14.72%	14.06%
Insurance operating ratios (GAAP)					
Loss ratio	220.4%	187.3%	51.7%	44.7%	52.7%
Expense ratio(2)	14.2%	15.8%	17.0%	15.9%	14.6%
Combined ratio	234.6%	203.1%	68.7%	60.6%	67.3%
Risk-to-capital ratio (statutory)					
Combined insurance companies	14.7:1	11.9:1	7.5:1	7.4:1	7.9:1

(1) Represents contractual aggregate loss limits and, for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, for $2.5 billion, $4.1 billion, $4.4 billion, $5.0 billion and $4.9 billion, respectively, of risk without such limits, risk is calculated at $1 million, $2 million, $4 million, $51 million and $65 million, respectively, for new risk written and $150 million, $475 million, $473 million, $469 million and $418 million, respectively, for risk in force, the estimated amount that would credit enhance these loans to a "AA" level based on a rating agency model.

(2) The loss ratio is the ratio, expressed as a percentage, of the sum of incurred losses and loss adjustment expenses to net premiums earned. As calculated, the loss ratio does not reflect any effects due to premium deficiency. The expense ratio is the ratio, expressed as a percentage, of the combined insurance operations underwriting expenses to net premiums written.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Through our subsidiary MGIC, we are the leading provider of private mortgage insurance in the United States to the home mortgage lending industry. Our principal product is primary mortgage insurance. Primary mortgage insurance may be written through the flow market channel, in which loans are insured in individual, loan-by-loan transactions. Primary mortgage insurance may also be written through the bulk market channel, in which portfolios of loans are individually insured in single, bulk transactions. Prior to 2008, we wrote significant volume through the bulk channel, substantially all of which was Wall Street bulk business, which we discontinued writing in 2007. We expect any future business written through the bulk channel will be insignificant to us. Prior to 2009, we also wrote pool mortgage insurance. We do not expect we will write any significant pool mortgage insurance in the future.

As used below, "we" and "our" refer to MGIC Investment Corporation's consolidated operations. In the discussion below, we classify, in accordance with industry practice, as "full documentation" loans approved by GSE and other automated underwriting systems under "doc waiver" programs that do not require verification of borrower income. For additional information about such loans, see footnote (3) to the delinquency table under "Results of Consolidated Operations-Losses-Losses Incurred". The discussion of our business in this document generally does not apply to our Australian operations which are immaterial. The results of our operations in Australia are included in the consolidated results disclosed. For additional information about our Australian operations, see "—Australia" below.

Forward Looking Statements

As discussed under "Forward Looking Statements and Risk Factors" in Item 1A of Part 1 of this annual report to which readers of this annual report should refer because such risk factors are an integral part of the discussion below, actual results may differ materially from the results contemplated by forward looking statements. We are not undertaking any obligation to update any forward looking statements or other statements we may make in the following discussion or elsewhere in this annual report even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. Therefore no reader of this annual report should rely on these statements being accurate as of any time other than the time at which this document was filed with the Securities and Exchange Commission.

Outlook

At this time, we are facing two particularly significant challenges, which we believe are shared by the other participants in our industry:

- Whether we will have access to sufficient capital to continue to write new business. This challenge is discussed under "Capital" below.
- Whether private mortgage insurance will remain a significant credit enhancement alternative for low down payment single family mortgages. This challenge is discussed under "Future of the Domestic Residential Housing Finance System" below.

Capital

The mortgage insurance industry is experiencing material losses, especially on the 2006 and 2007 books. The ultimate amount of these losses will depend in part on general economic conditions, including unemployment, and the direction of home prices in California, Florida and other distressed markets, which in turn will be influenced by general economic conditions and other factors. Because we cannot predict future home prices or general economic conditions with confidence, there is significant uncertainty surrounding what our ultimate losses will be on our 2006 and 2007 books. Our current expectation, however, is that these books will continue to generate material incurred and paid losses for a number of years. Our view of potential losses on these books has trended upward since the first quarter of 2008, including since the time at which we finalized our Quarterly Report on Form 10-Q for the third quarter of 2008.

The Office of the Commissioner of Insurance of Wisconsin ("OCI") is MGIC's principal insurance regulator. To assess a mortgage guaranty insurer's capital adequacy, Wisconsin's insurance regulations require that a mortgage guaranty insurance company maintain "policyholders position" of not less than a minimum computed under a prescribed formula. Policyholders position is the insurer's net worth, contingency reserve and a portion of the reserves for unearned premiums, with credit given for authorized reinsurance. The minimum policyholders position (MPP) required by the formula depends on the insurance in force and whether the loans insured are primary insurance or pool insurance and further depends on the LTV ratio of the individual loans and their coverage percentage (and in the case of pool insurance, the amount of any deductible). If a mortgage guaranty insurer does not meet MPP it cannot write new business until its policyholders position meets the minimum.

In February 2009, we received clarification from the OCI regarding the methodology used in calculating the excess of our policyholders position over the MPP. The clarification effectively reduces the required MPP by our reserves

established for delinquent loans, beginning with our December 31, 2008 calculations. At December 31, 2008, MGIC's policyholders position exceeded the required minimum by more than $1.5 billion, and we exceeded the required minimum by $1.6 billion on a combined statutory basis. (The combined figures give effect to reinsurance with subsidiaries of our holding company.)

Some states that regulate us have provisions that limit the risk-to-capital ratio (see "Liquidity and Capital Resources—Risk to Capital") of a mortgage guaranty insurance company to 25:1. If an insurance company's risk-to-capital ratio exceeds the limit applicable in a state, it may be prohibited from writing new business in that state until its risk-to-capital ratio falls below the limit. It is also our understanding that certain states have clarified their calculation of risk-to-capital to reduce risk in force for established loss reserves. We have used this methodology beginning with our December 31, 2008 calculations. At December 31, 2008 MGIC's risk-to-capital was 12.9:1 and was 14.7:1 on a combined statutory basis.

In addition to the uncertainties that could result in increased losses, there are other items that could favorably impact our future losses. For example, our estimated loss reserves reflect loss mitigation from rescissions using only the rate at which we have rescinded claims during recent periods, as discussed under "Results of Consolidated Operations—Losses—Losses Incurred". In light of the number of claims investigations we are pursuing and our perception that books of insurance we wrote before 2008 contain a significant number of loans involving fraud, we expect our rescission rate during future periods to increase. The insured can dispute our right to rescind coverage, and whether the requirements to rescind are met ultimately would be determined by arbitration or judicial proceedings. Also, our estimated loss reserves do not take account of the effect of potential benefits that might be realized from third party and governmental loan modification programs.

Because these and other factors that will affect our future losses are subject to significant uncertainty, there is significant uncertainty regarding the level of our future losses. However, unless recent loss trends materially mitigate, MGIC's policyholders position could decline and its risk-to-capital could increase beyond the levels necessary to meet regulatory requirements and this could occur before the end of 2009.

An inability to write new business does not mean that we do not have sufficient resources to pay claims. We believe we have more than adequate resources to pay claims on our insurance in force, even in scenarios in which losses materially exceed those that would result in not meeting MPP and risk-to-capital requirements. Our claims paying resources principally consist of our investment portfolio, captive reinsurance trust funds and future premiums on our insurance in force, net of premiums ceded to captive and other reinsurers.

We are considering options to obtain capital to write new business, which could occur through the sale of equity or debt securities, from reinsurance and/or through the use of claims paying resources that should not be needed to cover obligations on our existing insurance in force. While we have not pursued raising capital from private sources, we initiated discussions with the US Treasury late in October 2008 to seek a capital investment and/or reinsurance under the Troubled Assets Relief Program ("TARP"). We understand there is intense competition for TARP and other government assistance. We cannot predict whether we will be successful in obtaining capital from any source but any sale of additional securities could dilute substantially the interest of existing shareholders and other forms of capital relief could also result in additional costs.

Our senior management believes that one of the capital generating options referred to above will be feasible or that the uncertainties described above will develop in a manner such that we will be able to continue to write new business through the end of 2009. We can, however, give no assurance in this regard, and higher losses, adverse changes in our relationship with the GSEs, or reduced benefits from loss mitigation, among other factors, could result in senior management's belief not being realized. In addition, to the extent this belief of senior management is a "forward-looking statement" under Section 21E(c) of the Securities Exchange Act of 1934, as amended (and without thereby suggesting that other forward-looking statements we make in this annual report are not accompanied by meaningful cautionary statements because the reference to such cautionary statements does not appear in immediate proximity to such other forward-looking statements), the statements under Item 1.A. "Risk Factors" are intended to provide additional meaningful cautionary statements that identify additional material factors that could cause actual results to differ materially from those in this forward-looking statement of senior management.

Future of the Domestic Housing Finance System

For decades, Fannie Mae and Freddie Mac have been the principal factor in determining the availability of single-family mortgages in the United States for conforming loans. From the summer of 2007 to the summer of 2008, the combined common and preferred equity market capitalization of the GSEs declined on the order of $140 billion, the FHFA was appointed conservator of each GSE and their most senior management was replaced by executives designated by the federal government. As their conservator, FHFA controls and directs the operations of Fannie Mae and Freddie Mac. In connection with the conservatorship, the United States Treasury has committed a $200 billion facility to each GSE to support its capital, which is a $100 billion increase from the original facility established for each GSE at the time the conservatorship began. Both GSEs have either drawn or announced their intention to draw material amounts under their respective facilities to cure deficiencies in their regulatory capital as of September 30, 2008, which is the last period end reported on prior to finalization of this annual report.

Under the charters of the GSEs, which are contained in federal statutes subject to amendment by legislation, the GSEs must obtain credit enhancement on single-family mortgages that they purchase when the LTV ratio exceeds 80%. Such low down payment mortgages form the foundation of our business. For decades private mortgage insurance has been the mortgage market's preferred form of credit enhancement for conforming loans. (For a few years that ended in 2007, piggyback loans, which are loans comprised of both a first and second mortgage, with the LTV ratio of the first mortgage below what investors require for mortgage insurance, took substantial market share from private mortgage insurance. As shown by their recent performance in declining housing markets, we believe piggybacks cannot be fairly viewed as credit enhancements.)

As a result of the conservatorship of the GSEs and the mortgage insurance programs of the FHA and other federal agencies, the federal government has assumed the leading role in the residential mortgage market. These circumstances could lead Congress to undertake a wide ranging review of the system of residential mortgage finance in the United States, including what role the government should play. We believe there are strong policy reasons that

favor the continuation of private mortgage insurance as the preferred credit enhancement for conforming loans. We cannot predict, however, the scope of any changes that may be made to the housing finance system as a result of such review or the effect such changes would have on our industry.

Debt at our Holding Company and Holding Company Capital Resources

At December 31, 2008, we had approximately $394 million in short-term investments at our holding company. These investments were virtually all of our holding company's liquid assets. Our holding company's obligations include $1.090 billion in indebtedness, $400 million of which is scheduled to mature before the end of 2011 and must be serviced pending scheduled maturity. See Notes 6 and 7 to our consolidated financial statements contained in Item 8 for additional information about this indebtedness. See "Liquidity and Capital Resources — Debt at our Holding Company and Holding Company Capital Resources" for information about restrictions on MGIC's payment of dividends to our holding company and our expectation that we will not be seeking additional dividends that would increase our holding company's cash resources in 2009. Historically, dividends from MGIC have been the principal source of our holding company's cash inflow.

Private and Public Efforts to Modify Mortgage Loans and Reduce Foreclosure

In September the Emergency Economic Stabilization Act of 2008 was enacted. Included in this legislation is the TARP which, among other provisions, allows mortgage assets to be purchased by the federal government from financial institutions. To the extent assets are acquired or controlled by a government agency such agency must implement a plan that seeks to maximize assistance to homeowners to minimize foreclosures. In February 2009, the Obama Administration announced the Homeowner Affordability and Stability Plan that has the intent of helping millions of homeowners receive more favorable mortgage terms. Full details of the plan were not available at the time this annual report was finalized.

In the fourth quarter of 2008, the Federal Deposit Insurance Corporation, in its capacity as a receiver for troubled banks, the GSEs and several lenders adopted programs to modify loans to make them more affordable to borrowers with the goal of reducing the number of foreclosures. Similarly, various state and local governments have enacted foreclosure moratoriums, many with the stated goal of reducing foreclosures by giving lenders and borrowers additional time to modify loans to make them more affordable to borrowers.

There can be no assurance that foreclosure avoidance or modification plans will materially reduce the level of delinquencies and claims we are currently experiencing or could experience in the future. For additional information about the potential impact that any plans and programs enacted by legislation may have on us, see the risk factor titled "Loan modification and other similar programs may not provide material benefits to us" in Item 1A.

Factors Affecting Our Results

Our results of operations are affected by:

- Premiums written and earned

  Premiums written and earned in a year are influenced by:

  - New insurance written, which increases the size of the in force book of insurance, is the aggregate principal amount of the mortgages that are insured during a period. Many factors affect new insurance written, including the volume of low down payment home mortgage originations and competition to provide credit enhancement on those mortgages, including competition from other mortgage insurers and alternatives to mortgage insurance.
  - Cancellations, which reduce the size of the in force book of insurance that generates premiums. Cancellations due to refinancings are affected by the level of current mortgage interest rates compared to the mortgage coupon rates throughout the in force book. Refinancings are also affected by current home values compared to values when the loans in the in force book became insured and the terms on which mortgage credit is available.
  - Rescissions, which require us to return any premiums received related to the rescinded policy.
  - Premium rates, which are affected by the risk characteristics of the loans insured and the percentage of coverage on the loans.
  - Premiums ceded to reinsurance subsidiaries of certain mortgage lenders ("captives") and risk sharing arrangements with the GSEs.

Premiums are generated by the insurance that is in force during all or a portion of the period. Hence, changes in the average insurance in force in the current period compared to an earlier period is a factor that will increase (when the average in force is higher) or reduce (when it is lower) premiums written and earned in the current period, although this effect may be enhanced (or mitigated)

by differences in the average premium rate between the two periods as well as by premiums that are ceded to captives. Also, new insurance written and cancellations during a period will generally have a greater effect on premiums written and earned in subsequent periods than in the period in which these events occur.

- Investment income

Our investment portfolio is comprised almost entirely of fixed income securities rated “A” or higher. The principal factors that influence investment income are the size of the portfolio and its yield. As measured by amortized cost (which excludes changes in fair market value, such as from changes in interest rates), the size of the investment portfolio is mainly a function of cash generated from (or used in) operations, such as net premiums received, investment earnings, net claim payments and expenses, less cash provided by (or used for) non-operating activities, such as debt or stock issuance or dividend payments. Realized gains and losses are a function of the difference between the amount received on sale of a security and the security’s amortized cost, as well as any “other than temporary” impairments. The amount received on sale of fixed income securities is affected by the coupon rate of the security compared to the yield of comparable securities at the time of sale.

- Losses incurred

Losses incurred are the current expense that reflects estimated payments that will ultimately be made as a result of delinquencies on insured loans. As explained under “Critical Accounting Policies,” except in the case of premium deficiency reserves, we recognize an estimate of this expense only for delinquent loans. Losses incurred are generally affected by:

  - The state of the economy and housing values, each of which affects the likelihood that loans will become delinquent and whether loans that are delinquent cure their delinquency. The level of new delinquencies has historically followed a seasonal pattern, with new delinquencies in the first part of the year lower than new delinquencies in the latter part of the year.
  - The product mix of the in force book, with loans having higher risk characteristics generally resulting in higher delinquencies and claims.
  - The size of loans insured. Higher average loan amounts tend to increase losses incurred.
  - The percentage of coverage on insured loans. Deeper average coverage tends to increase incurred losses.

- Changes in housing values, which affect our ability to mitigate our losses through sales of properties with delinquent mortgages as well as borrower willingness to continue to make mortgage payments when the value of the home is below the mortgage balance.
- Rescission rates. Our estimated loss reserves reflect mitigation from rescissions of coverage using only the rate at which we have rescinded claims during recent periods. As we continue to investigate more claims for misrepresentation, we expect the number of rescissions to increase. The rate of rescissions may also continue to increase as fraud may be more prevalent in our insurance in force, which could ultimately decrease our losses incurred from what they would have been had our rescission rate been lower.
- The distribution of claims over the life of a book. Historically, the first two years after a loan is originated are a period of relatively low claims, with claims increasing substantially for several years subsequent and then declining, although persistency, the condition of the economy and other factors can affect this pattern. For example, a weak economy can lead to claims from older books continuing at stable levels or experiencing a lower rate of decline. We are currently seeing such performance as it relates to delinquencies from our older books and, to the extent we were notified of such delinquencies as of December 31, 2008, such performance is reflected in our loss reserves.

- Changes in premium deficiency reserves

Each quarter, we re-estimate the premium deficiency reserve on the remaining Wall Street bulk insurance in force. The premium deficiency reserve primarily changes from quarter to quarter as a result of two factors. First, it changes as the actual premiums, losses and expenses that were previously estimated are recognized. Each period such items are reflected in our financial statements as earned premium, losses incurred and expenses. The difference between the amount and timing of actual earned premiums, losses incurred and expenses and our previous estimates used to establish the premium deficiency reserves has an effect (either positive or negative) on that period's results. Second, the premium deficiency reserve changes as our assumptions relating to the present value of expected future premiums, losses and expenses on the remaining Wall Street bulk insurance in force change. Changes to these assumptions also have an effect on that period's results.

- Underwriting and other expenses

The majority of our operating expenses are fixed, with some variability due to contract underwriting volume. Contract underwriting generates fee income included in "Other revenue."

- Interest expense

Interest expense reflects the interest associated with our debt obligations. Our long-term debt obligations at December 31, 2008 include our $300 million of 5.375% Senior Notes due in November 2015, $200 million of 5.625% Senior Notes due in September 2011, $200 million outstanding under a credit facility expiring in March 2010 and $390 million in convertible debentures due in 2063, as discussed in Notes 6 and 7 to our consolidated financial statements in Item 8 and under "Liquidity and Capital Resources" below.

- Income (loss) from joint ventures

Our results of operations have also been affected by the results of our joint ventures, which are accounted for under the equity method. Historically, joint venture income principally consisted of the aggregate results of our investment in two less than majority owned joint ventures, Credit-Based Asset Servicing and Securitization LLC (C-BASS) and Sherman Financial Group LLC (Sherman).

C-BASS

C-BASS, a limited liability company, is an unconsolidated, less than 50%-owned joint venture investment of ours that is not controlled by us. Historically, C-BASS was principally engaged in the business of investing in the credit risk of subprime single-family residential mortgages. In the third quarter of 2007, as a result of margin calls from lenders that C-BASS was unable to meet, C-BASS's purchases of mortgages and mortgage securities and its securitization activities ceased. C-BASS is managing its portfolio pursuant to a consensual, non-bankruptcy restructuring, under which its assets are to be paid out over time to its secured and unsecured creditors.

In 2007, joint venture losses included an impairment charge equal to our entire equity interest in C-BASS, as well as the reduction of the carrying value of our $50 million note from C-BASS to zero, which was due to equity losses incurred by C-BASS in the fourth quarter of 2007.

Sherman

During the period in which we held an equity interest in Sherman, Sherman was principally engaged in purchasing and collecting for its own account delinquent consumer receivables, which are primarily unsecured, and in originating and servicing subprime credit card receivables. The factors that affect Sherman's consolidated results of operations are discussed in our Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2008, to which you should refer.

Beginning in the first quarter of 2008, our joint venture income principally consisted of income from Sherman. In the third quarter of 2008, we sold our entire interest in Sherman to Sherman. As a result, beginning in the fourth quarter of 2008, our results of operations are no longer affected by any joint venture results. See "Results of Consolidated Operations — Joint Ventures — Sherman" for discussion of our sale of interest in Sherman and related note receivable.

Mortgage Insurance Earnings and Cash Flow Cycle

In our industry, a "book" is the group of loans that a mortgage insurer insures in a particular calendar year. In general, the majority of any underwriting profit (premium revenue minus losses) that a book generates occurs in the early years of the book, with the largest portion of any underwriting profit realized in the first year. Subsequent years of a book generally result in modest underwriting profit or underwriting losses. This pattern of results typically occurs because relatively few of the claims that a book will ultimately experience typically occur in the first few years of the book, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as the number of insured loans decreases (primarily due to loan prepayments), and losses increase.

Australia

In 2007, we began providing mortgage insurance to lenders in Australia. At December 31, 2008 the equity value of our Australian operations was approximately $100 million and our risk in force in Australia was approximately $1.0 billion. In Australia, mortgage insurance is a single premium product that covers the entire loan balance. As a result, our Australian risk in force represents the entire amount of the loans that we have insured. However, the mortgage insurance we provide only covers the unpaid loan balance after the sale of the underlying property. In view of our need to dedicate capital to our domestic mortgage insurance operations, we have been exploring alternatives for our Australian activities which may include a sale of our Australian operations. As a result, we have reduced our Australian headcount and suspended writing new business in Australia. We do not expect to write new business in Australia unless required in connection with an agreed upon sale of this business.

Summary of 2008 Results

Our results of operations in 2008 were principally affected by:

- Premiums written and earned

Premiums written and earned during 2008 increased compared to 2007. The increase in premiums resulted from the continued increase in the average insurance in force; however the effect of the higher in force has been somewhat offset by lower average premium yields due to a shift in the mix of new writings to loans with lower loan-to-value ratios, higher FICO scores and full documentation, which carry lower premium rates.

- Investment income

Investment income in 2008 was higher when compared to 2007 due to an increase in the average amortized cost of invested assets, offset by a decrease in the pre-tax yield.

- Realized (losses) gains

Realized losses for 2008 included “other than temporary” impairments on our investment portfolio of approximately $62.5 million and realized losses on the sales of investments of approximately $12.8 million, offset by a $62.8 million gain from the sale of our remaining interest in Sherman. Realized gains in 2007 included a $162.9 million pre-tax gain on the sale of a portion our interest in Sherman.

- Losses incurred

Losses incurred for 2008 significantly increased compared to 2007 primarily due to a significant increase in the default inventory, offset by a smaller increase in the estimates regarding how much will be paid on claims, or severity, and a slight decrease in the estimates regarding how many delinquencies will result in a claim, or claim rate, when compared to 2007. The default inventory increased by 75,068 delinquencies in 2008, compared to an increase of 28,492 in 2007. The continued increase in estimated severity was primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as our inability to mitigate losses through the sale of properties due to home price declines. The decrease in estimated claim rate for 2008 was primarily due to an increase in our loss mitigation efforts that resulted in an increased number of rescissions and claim denials for misrepresentation, ineligibility and policy exclusions.

• Premium deficiency

During 2008 the premium deficiency reserve on Wall Street bulk transactions declined by $757 million from $1,211 million, as of December 31, 2007, to $454 million as of December 31, 2008. The $454 million premium deficiency reserve as of December 31, 2008 reflects the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves.

• Underwriting and other expenses

Underwriting and other expenses for 2008 decreased when compared to 2007. The decrease reflects our lower volumes of new insurance written as well as a focus on expenses in difficult market conditions. Also, 2007 included $12.3 million in one-time expenses associated with a terminated merger.

• Interest expense

Interest expense for 2008 increased when compared to 2007. The increase primarily reflects the issuance of our convertible debentures in March and April of 2008.

• Income from joint ventures

Income from joint ventures, net of tax, was $24.5 million in 2008 compared to a loss from joint ventures, net of tax, of $269.3 million for 2007. The income from joint ventures in 2008 is related to our remaining interest in Sherman that was sold in the third quarter of 2008. The gain on the sale of our interest is included in realized gains on our statements of operations. The loss from joint venture in 2007 was due primarily to the impairment of our investment in C-BASS.

• (Credit) provision for income tax

The effective tax rate credit on our pre-tax loss was (42.1%) in 2008, compared to (37.3%) in 2007. During those periods, the rate reflected the benefits recognized from tax-preferenced investments. Our tax-preferenced investments that impact the effective tax rate consist almost entirely of tax-exempt municipal bonds. The difference in the rate was primarily the result of a smaller loss from underwriting operations during 2008, compared to 2007.

Results of Consolidated Operations

New insurance written

The amount of our primary new insurance written during the years ended December 31, 2008, 2007 and 2006 was as follows:

	2008	2007	2006
		($ billions)	
NIW — Flow Channel	$ 46.6	$ 69.0	$ 39.3
NIW — Bulk Channel	1.6	7.8	18.9
Total Primary NIW	$ 48.2	$ 76.8	$ 58.2
Refinance volume as a % of primary flow NIW	26%	24%	23%

The decrease in new insurance written on a flow basis in 2008, compared to 2007, was primarily due to changes in our underwriting guidelines discussed below, as well as a decrease in the total mortgage origination market and greater usage of FHA insurance programs as an alternative to mortgage insurance. For a discussion of new insurance written through the bulk channel, see “Bulk transactions” below.

We anticipate our flow new insurance written for 2009 will be significantly below the level written in 2008, due to changes in our underwriting guidelines discussed below as well as premium rate increases implemented during 2008, neither of which were fully implemented at the beginning of 2008. We believe our changes in guidelines and premium rates have led to greater usage of FHA insurance programs as an alternative to private mortgage insurance. Additionally, both GSEs have implemented adverse market charges on all loans and credit risk-based loan level price adjustments on loans with certain risk characteristics which include loans that qualify for private mortgage insurance. The application of these loan level price adjustments results in a materially higher monthly payment for the borrower, which we also believe has led to greater usage of FHA insurance programs as an alternative to private mortgage insurance. Our level of new insurance written could also be affected by other items, as noted in our risk factors in Item 1A, which are an integral part of this Management’s Discussion and Analysis.

The percentage of our volume written on a flow basis that includes segments we view as having a higher probability of claim continued to increase through 2007. In particular, the percentage of our flow new insurance written with loan-to-value ratios greater than 95% grew to 42% in 2007, compared to 34% in 2006. For 2008 the percentage of our flow new insurance written with loan-to-value ratios greater than 95% declined to 18%, and was only 3% for the fourth quarter of 2008.

We have implemented a series of changes to our underwriting guidelines that are designed to improve the credit risk profile of our new insurance written. The changes primarily affect borrowers who have multiple risk factors such as a high loan-to-value ratio, a lower FICO score and limited documentation or are financing a home in a market we categorize as higher risk. We also implemented premium rate increases. Several underwriting guidelines and premium rate changes were implemented during 2008, although a significant portion of our new business in the first quarter of 2008 was committed to prior to the effective date of these changes. The chart below shows, for the years ended December 31, 2007 and 2008, as well as each quarter ended in 2008, our flow new insurance written and the percentage of our flow new insurance written that would have qualified with our underwriting guidelines in place as of December 31, 2008.

Flow NIW ($ in billions)

Year ended	Quarter ended				Year ended
Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	Dec. 31, 2008
$69.0	$18.1	$13.4	$9.7	$5.4	$46.6

Percentage of Flow NIW that Qualified with our Underwriting Guidelines in Place as of December 31, 2008

Year ended	Quarter ended				Year ended
Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	Dec. 31, 2008
21.1%	31.8%	59.1%	80.1%	89.1%	55.9%

We regularly review our underwriting guidelines. Additional changes to our guidelines, which include further limitations on the types of refinance loans we will insure, have been announced and will be effective in the first quarter of 2009.

Cancellations and insurance in force

New insurance written and cancellations of primary insurance in force during the years ended December 31, 2008, 2007 and 2006 were as follows:

	2008	2007	2006
		($ billions)	
NIW	$ 48.2	$ 76.8	$ 58.2
Cancellations	(32.9)	(41.6)	(51.7)
Change in primary insurance in force	$ 15.3	$ 35.2	$ 6.5
Direct primary insurance in force as of December 31,	$ 227.0	$ 211.7	$ 176.5

Cancellation activity has historically been affected by the level of mortgage interest rates and the level of home price appreciation. Cancellations generally move inversely to the change in the direction of interest rates, although they generally lag a change in direction. Our persistency rate (percentage of insurance remaining in force from one year prior) was 84.4% at December 31, 2008, an increase from 76.4% at December 31, 2007 and 69.6% at December 31, 2006. These persistency rate improvements reflect the more restrictive credit policies of lenders (which make it more difficult for homeowners to refinance loans), as well as declines in housing values.

Bulk transactions

New insurance written for bulk transactions was $1.6 billion for 2008 compared to $7.8 billion for 2007 and $18.9 billion for 2006. The decrease in bulk writings was primarily due to our decision in the fourth quarter of 2007 to stop insuring Wall Street bulk transactions. The majority of the bulk business in 2008 was lender paid transactions that included a higher percentage of prime loans (we have consistently classified as “prime” all loans with FICO scores of 620 and above) than was typically present in Wall Street bulk transactions and the remainder was bulk business with the GSEs, which also included a similar percentage of prime loans. Wall Street bulk transactions represented approximately 41%, 66% and 89% of our new insurance written for bulk transactions during 2007, 2006 and 2005, respectively, and at December 31, 2008 included approximately 118,000 loans with insurance in force of

approximately $19.8 billion and risk in force of approximately $5.8 billion, which is approximately 72% of our bulk risk in force.

We wrote no new business through the bulk channel during the second half of 2008. We expect the volume of any future business written through the bulk channel will be insignificant.

Pool insurance

In addition to providing primary insurance coverage, we have also insured pools of mortgage loans. New pool risk written during 2008, 2007 and 2006 was $145 million, $211 million and $240 million, respectively. Our direct pool risk in force was $1.9 billion, $2.8 billion and $3.1 billion at December 31, 2008, 2007 and 2006, respectively. These risk amounts represent pools of loans with contractual aggregate loss limits and in some cases those without these limits. For pools of loans without these limits, risk is estimated based on the amount that would credit enhance the loans in the pool to a “AA” level based on a rating agency model. Under this model, at December 31, 2008, 2007 and 2006 for $2.5 billion, $4.1 billion and $4.4 billion, respectively, of risk without these limits, risk in force is calculated at $150 million, $475 million and $473 million, respectively. For the years ended December 31, 2008, 2007 and 2006 for $23 million, $32 million and $56 million, respectively, of risk without contractual aggregate loss limits, new risk written under this model was $1 million, $2 million and $4 million, respectively.

We are currently not issuing new commitments for pool insurance and expect that the volume of any future pool business will be insignificant.

Net premiums written and earned

Net premiums written and earned during 2008 increased compared to 2007. The average insurance in force continued to increase; however the effect of the higher in force has been somewhat offset by lower average premium yields due to a shift in the mix of new writings to loans with lower loan-to-value ratios, higher FICO scores and full documentation, which carry lower premium rates. We expect our average insurance in force to continue to be higher in 2009, compared to 2008, with our insurance in force balance stabilizing or decreasing slightly throughout 2009.

We expect our premium yields (net premiums written or earned, expressed on an annual basis, divided by the average insurance in force) to continue at approximately the level experienced during 2008. We expect a reduction in business in 2009 that has higher premiums (we are no longer insuring new Wall Street Bulk transactions; as a result of our underwriting changes, our future

volume of loans with loan-to-value ratios greater than 95%, loans classified as A-minus and reduced documentation loans, which carry higher premium rates should be insignificant), will be offset by lower ceded premium due to captive terminations and run-offs. In a termination, the arrangement is cancelled, with no future premium ceded and funds for any incurred but unpaid losses transferred to us. In a run-off, no new loans are reinsured by the captive but loans previously reinsured continue to be covered, with premium and losses continuing to be ceded on those loans.

Net premium written and earned during 2007 increased compared to 2006 due to a higher average insurance in force, offset by lower average premium yields.

Risk sharing arrangements

For the nine months ended September 30, 2008, approximately 34.4% of our flow new insurance written was subject to arrangements with captives or risk sharing arrangements with the GSEs compared to 47.7% for the year ended December 31, 2007 and 47.5% for the year ended December 31, 2006. We expect the percentage of new insurance written subject to risk sharing arrangements to continue to decline in 2009 for the reasons discussed below. The percentage of new insurance written covered by these arrangements is shown only for the nine months ended September 30, 2008 because this percentage normally increases after the end of a quarter. Such increases can be caused by, among other things, the transfer of a loan in the secondary market, which can result in a mortgage insured during a quarter becoming part of a risk sharing arrangement in a subsequent quarter. New insurance written through the bulk channel is not subject to risk sharing arrangements. Premiums ceded in these arrangements are reported in the period in which they are ceded regardless of when the mortgage was insured.

Effective on and after June 1, 2008, Freddie Mac-approved private mortgage insurers, including MGIC, may not cede new risk if the gross risk or gross premium ceded to captive reinsurers is greater than 25%. Freddie Mac stated that it made this change to allow mortgage insurers to retain more insurance premiums to pay current claims and rebuild their capital bases. Fannie Mae made similar changes to its requirements. Effective June 1, 2008, we made appropriate changes to the terms of our arrangements with those captives that had exceeded the 25% limit.

Effective January 1, 2009 we are no longer ceding new business under excess of loss reinsurance treaties with lender captive reinsurers. Loans reinsured through December 31, 2008 will run off pursuant to the terms of the particular captive arrangement. New business will continue to be ceded under quota share reinsurance arrangements. During 2008, many of our captive arrangements were either terminated or placed into run-off.

We anticipate that our ceded premiums related to risk sharing agreements will be significantly less in 2009 compared to amounts ceded in 2008.

See discussion under "-Losses" regarding losses assumed by captives.

In June 2008 we entered into a reinsurance agreement with an affiliate of HCC Insurance Holdings, Inc. The reinsurance agreement is effective on the risk associated with up to $50 billion of qualifying new insurance written each calendar year. The term of the reinsurance agreement began on April 1, 2008 and ends on December 31, 2010, subject to two one-year extensions that may be exercised by HCC. We believe that substantially all of our insurance committed to subsequent to April 1, 2008 will qualify under the reinsurance agreement. The reinsurance agreement is expected to provide additional claims-paying resources when loss ratios exceed 100% for insurance written beginning April 1, 2008.

The agreement is accounted for under deposit accounting rather than reinsurance accounting, because under the guidance of SFAS 113 "Accounting for Reinsurance Contracts", we concluded that the reinsurance agreement does not result in the reasonable possibility that the reinsurer will suffer a significant loss.

When our financial strength rating as determined by two rating agencies is in the "A" category or higher the agreement provides for a 20% quota share agreement, but allows us to retain 80% of the ceded premium ("profit commission"). The profit commission is used to cover losses that otherwise would be ceded to the reinsurer until the profit commission is exhausted. The premium ceded to the reinsurer and the brokerage commission paid to an affiliate of the reinsurer, net of a profit commission retained by us, is recorded as reinsurance fee expense on our statement of operations. In loss environments where loss ratios are less than 80% for the insurance covered by this agreement we expect the net expense will be approximately 5% of net premiums earned on business covered by the agreement. Under the terms of the agreement, if our financial strength rating as determined by two rating agencies falls below the "A" category, we are no longer entitled to the profit commission and our net expense will increase to reflect we no longer receive this profit commission, but this increase will be partially offset by an increase of reinsured losses. In February 2009, Moody's Investors Service reduced MGIC's financial strength rating to Ba2 with a developing outlook. The financial strength of MGIC is rated A-, with a negative outlook, by both Standard and Poor's Rating Services and Fitch Ratings. The reinsurance fee for the year ended December 31, 2008 is separately shown in the statements of operations.

Investment income

Investment income for 2008 increased when compared to 2007 due to an increase in the average amortized cost of invested assets, offset by a decrease in the average investment yield. The decrease in the average investment yield

was caused both by decreases in prevailing interest rates and a decrease in the average maturity of our investments. The portfolio's average pre-tax investment yield was 3.87% at December 31, 2008 and 4.69% at December 31, 2007. The portfolio's average after-tax investment yield was 3.49% at December 31, 2008 and 4.18% at December 31, 2007. Assuming shorter-term yields remain at their current levels, we expect the investment yield on our portfolio as a whole will continue to decline because we are investing available funds in shorter maturities so that they will be available for claim payments without the need to obtain the necessary funds through sales of our fixed income investments.

Investment income for 2007 increased when compared to 2006 due to an increase in the average investment yield, as well as an increase in the average amortized cost of invested assets.

Realized (losses) gains

Realized losses for 2008 included "other than temporary" impairments on our investment portfolio of approximately $62.5 million on our fixed income investments including debt instruments issued by Fannie Mae, Freddie Mac, Lehman Brothers and AIG, and realized losses on the sales of investments of approximately $12.8 million, offset by a $62.8 million gain from the sale of our remaining interest in Sherman. Realized gains in 2007 included a $162.9 million pre-tax gain on the sale of a portion our interest in Sherman. There were no "other than temporary" impairments in 2007 or 2006.

Other revenue

Other revenue for 2008 increased when compared to 2007. The increase in other revenue was primarily the result of other non-insurance operations.

Other revenue for 2007 decreased when compared to 2006. The decrease was primarily the results of other non-insurance operations and a decrease in revenue from contract underwriting.

Losses

As discussed in "—Critical Accounting Policies", and consistent with industry practices, we establish loss reserves for future claims only for loans that are currently delinquent. The terms "delinquent" and "default" are used interchangeably by us and are defined as an insured loan with a mortgage payment that is 45 days or more past due. Loss reserves are established based on our estimate of the number of loans in our inventory of delinquent loans that will not cure their delinquency and thus result in a claim, which is referred to as

the claim rate (historically, a substantial majority of delinquent loans have eventually cured), and further estimating the amount that we will pay in claims on the loans that do not cure, which is referred to as claim severity.

Estimation of losses that we 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. Current conditions in the housing and mortgage industries make these assumptions more volatile than they would otherwise be. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values that could materially reduce our ability to mitigate potential losses through property acquisition and resale or expose us to greater losses on resale of properties obtained through the claim settlement process. Changes to our estimates could result in a material impact to our results of operations, even in a stable economic environment.

Our estimates could also be positively affected by government efforts to assist current borrowers in refinancing to new loan instruments, assisting delinquent borrowers and lenders in modifying their mortgage notes into something more affordable, and forestalling foreclosures. In addition private company efforts may have a positive impact on our loss development. However, all of these efforts are in their early stages and therefore we are unsure of their magnitude or the benefit to us or our industry, and as a result are not factored into our current reserving. For additional information about the potential impact that any plans and programs enacted by legislation may have on us, see the risk factor titled "Loan modification and other similar programs may not provide material benefits to us" in Item 1A.

Our estimates could also be positively affected by the extent of fraud that we uncover in the loans we have insured; higher rates of fraud should lead to higher rates of rescission, although the relationship may not be linear. Rescissions and denials totaled $85 million in the fourth quarter of 2008 and $171 million for the year ending December 31, 2008. Rescissions and denials totaled only $7 million in the fourth quarter of 2007 and totaled only $28 million for the year ended December 31, 2007.

Losses incurred

In 2008, net losses incurred were $3,071 million, of which $2,684 million related to current year loss development and $387 million related to unfavorable prior years' loss development. In 2007, net losses incurred were $2,365 million, of which $1,846 million related to current year loss development and $519 million

related to unfavorable prior years' loss development. See Note 8 to our consolidated financial statements in Item 8.

The amount of losses incurred pertaining to current year loss development represents the estimated amount to be ultimately paid on default notices received in the current year. Losses incurred pertaining to the current year increased in 2008, compared to 2007, primarily due to a significant increase in the default inventory offset by a smaller increase in estimated severity, as well as a slight decrease in estimated claim rate, when each are compared to the same period in 2007. The default inventory increased by 75,068 delinquencies in 2008, compared to an increase of 28,492 in 2007. The continued increase in estimated severity was primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as our inability to mitigate losses through the sale of properties due to home price declines. The increase in estimated severity was less substantial than the increase experienced during 2007. The slight decrease in estimated claim rate for 2008 was primarily due to an increase in our loss mitigation efforts that resulted in an increased number of rescissions and claim denials for misrepresentation, ineligibility and policy exclusions. The estimated claim rate is based on recent historical experience and does not take into account any potential benefits of third party and governmental mitigation programs that are in their early stages for which we have no data on historical performance. Losses incurred pertaining to the current year increased in 2007, compared to 2006, primarily due to significant increases in the default inventory and estimated severity and claim rate, when each are compared to 2006.

Our loss estimates are established based upon historical experience. We continue to experience increases in delinquencies in certain markets with higher than average loan balances, such as Florida and California. In California we have experienced an increase in delinquencies, from 6,900 as of December 31, 2007 to 14,960 as of December 31, 2008. Our Florida delinquencies increased from 12,500 as of December 31, 2007 to 29,380 as December 31, 2008. The average claim paid on California loans in 2008 was more than twice as high as the average claim paid for the remainder of the country.

The amount of losses incurred relating to prior year loss development represents actual claim payments that were higher or lower than what was estimated by us at the end of the prior year as well as a re-estimation of amounts to be ultimately paid on defaults remaining in our default inventory from the end of the prior year. This re-estimation is the result of our review of current trends in default inventory, such as defaults that have resulted in a claim, the amount of the claim, the change in relative level of defaults by geography and the change in average loan exposure. The $387 million addition to losses incurred relating to prior years in 2008 was due primarily to the significant increases in severity during the year, as compared to our estimates when originally establishing the reserves at December 31, 2007. The increase in losses incurred in 2008 related to prior years

is also a result of more defaults remaining in inventory at December 31, 2008 from a year prior. These defaults have a higher estimated claim rate when compared to a year prior. The $518.9 million increase in losses incurred in 2007 related to prior years was due primarily to the significant increases in severity and the significant deterioration in cure rates experienced during the year, as compared to our estimates when originally establishing the reserves at December 31, 2006.

We believe that the foregoing trends will likely continue into 2009. These trends may also continue beyond 2009.

As discussed under "—Risk Sharing Arrangements", a portion of our flow new insurance written is subject to reinsurance arrangements with lender captives. The majority of these reinsurance arrangements are aggregate excess of loss reinsurance agreements, and the remainder are quota share agreements. As discussed under "Risk Sharing Arrangements" effective January 1, 2009 we will no longer cede new business under excess of loss reinsurance treaties with lender captive reinsurers. Loans reinsured through December 31, 2008 will run off pursuant to the terms of the particular captive arrangement. Under the aggregate excess of loss agreements, we are responsible for the first aggregate layer of loss, which is typically between 4% and 5%, the captives are responsible for the second aggregate layer of loss, which is typically 5% or 10%, and we are responsible for any remaining loss. The layers are typically expressed as a percentage of the original risk on an annual book of business reinsured by the captive. The premium cessions on these agreements typically ranged from 25% to 40% of the direct premium. Under a quota share arrangement premiums and losses are shared on a pro-rata basis between us and the captives, with the captives' portion of both premiums and losses typically ranging from 25% to 50%. As noted under "Risk Sharing Arrangements" based on changes to the GSE requirements, beginning June 1, 2008 our captive arrangements, both aggregate excess of loss and quota share, are limited to a 25% cede rate.

Under these agreements the captives are required to maintain a separate trust account, of which we are the sole beneficiary. Premiums ceded to a captive are deposited into the applicable trust account to support the captive's layer of insured risk. These amounts are held in the trust account and are available to pay reinsured losses. The captive's ultimate liability is limited to the assets in the trust account. When specific time periods are met and the individual trust account balance has reached a required level, then the individual captive may make authorized withdrawals from its applicable trust account. In most cases, the captives are also allowed to withdraw funds from the trust account to pay verifiable federal income taxes and operational expenses. Conversely, if the account balance falls below certain thresholds, the individual captive may be required to contribute funds to the trust account. However, in most cases, our sole remedy if a captive does not contribute such funds is to put the captive into run-off, in which case no new business would be ceded to the captive. In the event that the captives' incurred but unpaid losses exceed the funds in the trust

account, and the captive does not deposit adequate funds, we may also be allowed to terminate the captive agreement, assume the captives obligations, transfer the assets in the trust accounts to us, and retain all future premium payments. We intend to exercise this additional remedy when it is available to us. However, if the captive would challenge our right to do so, the matter would be determined by arbitration. The total fair value of the trust fund assets under these agreements at December 31, 2008 was approximately $582 million. During 2008, $265 million of trust fund assets were transferred to us as a result of captive terminations. There were no material captive terminations in 2007. The transferred funds resulted in an increase in our investment portfolio (including cash and cash equivalents) and there was a corresponding decrease in our reinsurance recoverable on loss reserves, which is offset by a decrease in our net losses paid.

In 2008 the captive arrangements reduced our losses incurred by approximately $476 million. We anticipate that the reduction in losses incurred will be lower in 2009, compared to 2008, as some of our captive arrangements have been terminated.

Information about the composition of the primary insurance default inventory at December 31, 2008, 2007 and 2006 appears in the table below.

	2008	2007	2006
Total loans delinquent (1)	182,188	107,120	78,628
Percentage of loans delinquent (default rate)	12.37%	7.45%	6.13%
Prime loans delinquent (2)	95,672	49,333	36,727
Percentage of prime loans delinquent (default rate)	7.90%	4.33%	3.71%
A-minus loans delinquent (2)	31,907	22,863	18,182
Percentage of A-minus loans delinquent (default rate)	30.19%	19.20%	16.81%
Subprime credit loans delinquent (2)	13,300	12,915	12,227
Percentage of subprime credit loans delinquent (default rate)	43.30%	34.08%	26.79%
Reduced documentation loans delinquent (3)	41,309	22,009	11,492
Percentage of reduced doc loans delinquent (default rate)	32.88%	15.48%	8.19%

(1) At December 31, 2008 and 2007, 45,482 and 39,704 loans in default, respectively, related to Wall Street bulk transactions.

(2) We define prime loans as those having FICO credit scores of 620 or greater, A-minus loans as those having FICO credit scores of 575-619, and subprime credit loans as those having FICO

credit scores of less than 575, all as reported to us at the time a commitment to insure is issued. Most A-minus and subprime credit loans were written through the bulk channel.

(3) In accordance with industry practice, loans approved by GSE and other automated underwriting (AU) systems under “doc waiver” programs that do not require verification of borrower income are classified by us as “full documentation.” Based in part on information provided by the GSEs, we estimate full documentation loans of this type were approximately 4% of 2007 NIW. Information for other periods is not available. We understand these AU systems grant such doc waivers for loans they judge to have higher credit quality. We also understand that the GSEs terminated their “doc waiver” programs, with respect to new commitments, in the second half of 2008.

The pool notice inventory increased from 25,224 at December 31, 2007 to 33,884 at December 31, 2008; the pool notice inventory was 20,458 at December 31, 2006.

The average primary claim paid for 2008 was $52,239 compared to $37,165 for 2007 and $28,228 for 2006. We expect the average primary claim paid to continue to increase in 2009, although we do not expect the increase in 2009 to be as sizeable as the increase experienced during 2008. We expect these increases will be driven by our higher average insured loan sizes as well as decreases in our ability to mitigate losses through the sale of properties in some geographical regions, as certain housing markets, like California and Florida, continue to be weak.

The average claim paid for the top 5 states (based on 2008 losses paid) for the years ended December 31, 2008, 2007 and 2006 appears in the table below.

Average claim paid

	2008	2007	2006
California	$ 115,409	$ 96,196	$ 55,540
Florida	69,061	56,846	23,158
Michigan	37,020	35,607	31,181
Arizona	67,058	58,211	19,048
Ohio	32,638	31,859	29,172
Other states	42,985	33,651	27,532
All states	$ 52,239	$ 37,165	$ 28,228

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The average loan size of our insurance in force at December 31, 2008, 2007 and 2006 appears in the table below.

Average loan size

	2008	2007	2006
Total insurance in force	$154,100	$147,308	$137,574
Prime (FICO 620 & >)	151,240	141,690	129,696
A-Minus (FICO 575-619)	132,380	133,460	129,116
Subprime (FICO < 575)	121,230	124,530	127,298
Reduced doc (All FICOs)	208,020	209,990	202,984

The average loan size of our insurance in force at December 31, 2008, 2007 and 2006 for the top 5 states (based on 2008 losses paid) appears in the table below.

Average loan size

	2008	2007	2006
California	$293,442	$291,578	$274,984
Florida	180,261	178,063	163,573
Michigan	121,001	119,428	117,126
Arizona	190,339	185,518	163,619
Ohio	116,046	113,276	110,162
All other states	148,523	141,297	131,247

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Information about net paid claims during the years ended December 31, 2008, 2007 and 2006 appears in the table below.

Net paid claims ($ millions)

	2008	2007	2006
Prime (FICO 620 & >)	$ 547	$ 332	$ 251
A-Minus (FICO 575-619)	250	161	125
Subprime (FICO < 575)	132	101	68
Reduced doc (All FICOs)	395	190	81
Other	48	45	50
Direct losses paid	1,372	829	575
Reinsurance	(19)	(12)	(8)
Net losses paid	$ 1,353	$ 817	$ 567
LAE	48	53	44
Net losses and LAE paid before terminations	$ 1,401	$ 870	$ 611
Reinsurance terminations	(265)	—	—
Net losses and LAE paid	$ 1,136	$ 870	$ 611

Primary claims paid for the top 15 states (based on 2008 losses paid) and all other states for the years ended December 31, 2008, 2007 and 2006 appear in the table below.

Primary paid claims by state ($ millions)

	2008	2007	2006
California	$ 315.8	$ 81.7	$ 2.8
Florida	129.3	37.6	4.4
Michigan	98.9	98.0	73.8
Arizona	60.8	10.5	0.7
Ohio	58.3	73.2	71.5
Illinois	52.0	34.9	20.5
Georgia	50.4	35.4	39.6
Texas	47.7	51.1	48.9
Nevada	45.1	12.3	1.4
Minnesota	43.2	33.6	16.0
Colorado	32.5	31.6	30.1
Virginia	32.3	12.7	1.8
Massachusetts	28.9	24.3	6.5
Indiana	26.0	33.3	34.8
New York	23.9	13.2	9.2
Other states	278.8	201.0	162.6
	$ 1,323.9	$ 784.4	$ 524.6

The default inventory in those same states at December 31, 2008, 2007 and 2006 appears in the table below.

Default inventory by state

	2008	2007	2006
California	14,960	6,925	3,000
Florida	29,384	12,548	4,526
Michigan	9,853	7,304	6,522
Arizona	6,338	2,169	800
Ohio	8,555	6,901	6,395
Illinois	9,130	5,435	4,092
Georgia	7,622	4,623	3,492
Texas	10,540	7,103	6,490
Nevada	3,916	1,337	530
Minnesota	3,642	2,478	1,820
Colorado	2,328	1,534	1,354
Virginia	3,360	1,761	981
Massachusetts	2,634	1,596	1,027
Indiana	5,497	3,763	3,392
New York	4,493	3,153	2,458
Other states	59,936	38,490	31,749
	182,188	107,120	78,628

Our 2008 paid claims were lower than we anticipated at the beginning of the year due to a combination of reasons that have slowed the rate at which claims are received and paid, including foreclosure moratoriums, servicing delays, court delays, loan modifications, our fraud investigations and our claim rescissions and denials. Due to the uncertainty regarding how these and other factors will affect our net paid claims in 2009, it is difficult to estimate our 2009 claims paid. However, we believe that paid claims in 2009 will exceed, perhaps significantly, the $1.4 billion paid in 2008. See “Contractual Obligations” below.

As of December 31, 2008, 66% of our primary insurance in force was written subsequent to December 31, 2005. On our flow business, the highest claim frequency years have typically been the third and fourth year after the year of loan origination. However, the pattern of claims frequency can be affected by many factors, including low persistency and deteriorating economic conditions. Low persistency can have the effect of accelerating the period in the life of a book during which the highest claim frequency occurs. Deteriorating economic conditions can result in increasing claims following a period of declining claims. On our bulk business, the period of highest claims frequency has generally occurred earlier than in the historical pattern on our flow business.

Premium deficiency

Historically all of our insurance risks were included in a single grouping and the calculations to determine if a premium deficiency existed were performed on our entire in force book. As of September 30, 2007, based on these calculations there was no premium deficiency on our total in force book. During the fourth quarter of 2007, we experienced significant increases in our default inventory, and severities and claim rates on loans in default. We further examined the performance of our in force book and determined that the performance of loans included in Wall Street bulk transactions was significantly worse than we experienced for loans insured through the flow channel or loans insured through the remainder of our bulk channel. As a result we began separately measuring the performance of Wall Street bulk transactions and decided to stop writing this business. Consequently, as of December 31, 2007, we performed separate premium deficiency calculations on the Wall Street bulk transactions and on the remainder of our in force book to determine if premium deficiencies existed. As a result of those calculations, we recorded a premium deficiency reserve of $1,211 million in the fourth quarter of 2007 to reflect the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves on the Wall Street bulk transactions. The discount rate used in the calculation of the premium deficiency reserve, 4.70%, was based upon our pre-tax investment yield at December 31, 2007. As of December 31, 2007 there was no premium deficiency related to the remainder of our in force business.

During 2008 the premium deficiency reserve on Wall Street bulk transactions declined by $757 million from $1,211 million, as of December 31, 2007, to $454 million as of December 31, 2008. The $454 million premium deficiency reserve as of December 31, 2008 reflects the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves. The discount rate used in the calculation of the premium deficiency reserve at December 31, 2008 was 4.0%.

The components of the premium deficiency reserve at December 31, 2008 and 2007 appears in the table below.

	December 31, 2008	December 31, 2007
	($ millions)	
Present value of expected future premium	$ 712	$ 901
Present value of expected future paid losses and expenses	(3,063)	(3,561)
Net present value of future cash flows	(2,351)	(2,660)
Established loss reserves	1,897	1,449
Net deficiency	$ (454)	$ (1,211)

Each quarter, we re-estimate the premium deficiency reserve on the remaining Wall Street bulk insurance in force. The premium deficiency reserve primarily changes from quarter to quarter as a result of two factors. First, it changes as the actual premiums, losses and expenses that were previously estimated are recognized. Each period such items are reflected in our financial statements as earned premium, losses incurred and expenses. The difference between the amount and timing of actual earned premiums, losses incurred and expenses and our previous estimates used to establish the premium deficiency reserves has an effect (either positive or negative) on that period's results. Second, the premium deficiency reserve changes as our assumptions relating to the present value of expected future premiums, losses and expenses on the remaining Wall Street bulk insurance in force change. Changes to these assumptions also have an effect on that period's results. The decrease in the premium deficiency reserve for the year ended December 31, 2008 was $757 million, as shown in the chart below, which represents the net result of actual premiums, losses and expenses offset by $134 million change in assumptions primarily related to higher estimated ultimate losses.

		($ in millions)
Premium Deficiency Reserve at December 31, 2007		$ (1,211)
Paid Claims and LAE	770	
Increase in loss reserves	448	
Premium earned	(234)	
Effects of present valuing on future premiums, losses and expenses	(93)	
Change in premium deficiency reserve to reflect actual premium, losses and expenses recognized		891
Change in premium deficiency reserve to reflect change in assumptions relating to premiums, losses, expenses and discount rate (1)		(134)
Premium Deficiency Reserve at December 31, 2008		$ (454)

(1) A negative number for changes in assumptions relating to premiums, losses, expenses and discount rate indicates a deficiency of prior premium deficiency reserves.

At the end of 2008, we performed a premium deficiency analysis on the portion of our book of business not covered by the premium deficiency described above. That analysis concluded that, as of December 31, 2008, there was no premium deficiency on such portion of our book of business. For the reasons discussed below, our analysis of any potential deficiency reserve is subject to inherent uncertainty and requires significant judgment by management. To the extent, in a future period, expected losses are higher or expected premiums are lower than the assumptions we used in our analysis, we could be required to record a premium deficiency reserve on this portion of our book of business in such period.

The calculation of premium deficiency reserves requires the use of significant judgments and estimates to determine the present value of future premium and present value of expected losses and expenses on our business. The present value of future premium relies on, among other things, assumptions about persistency and repayment patterns on underlying loans. The present value of expected losses and expenses depends on assumptions relating to severity of claims and claim rates on current defaults, and expected defaults in future periods. Similar to our loss reserve estimates, our estimates for premium deficiency reserves could be adversely affected by several factors, including a deterioration of regional or economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values that could expose us to greater losses. Assumptions used in calculating the deficiency reserves can also be affected by volatility in the current housing and mortgage lending industries. To the extent premium patterns and

actual loss experience differ from the assumptions used in calculating the premium deficiency reserves, the differences between the actual results and our estimate will affect future period earnings and could be material.

Underwriting and other expenses

Underwriting and other expenses for 2008 decreased when compared to 2007. The decrease reflects our lower volumes of new insurance written as well as a focus on expenses in difficult market conditions. Also, 2007 included $12.3 million in one-time expenses associated with a terminated merger.

Underwriting and other expenses for 2007 increased when compared to 2006 primarily due to one-time expenses associated with a terminated merger, as well as international expansion.

Ratios

The table below presents our loss, expense and combined ratios for our combined insurance operations for the years ended December 31, 2008, 2007 and 2006.

	2008	2007	2006
Loss ratio	220.4%	187.3%	51.7%
Expense ratio	14.2%	15.8%	17.0%
Combined ratio	234.6%	203.1%	68.7%

The loss ratio is the ratio, expressed as a percentage, of the sum of incurred losses and loss adjustment expenses to net premiums earned. The loss ratio does not reflect any effects due to premium deficiency. The increase in the loss ratio in 2008, compared to 2007, is due to an increase in losses incurred, partially offset by an increase in premiums earned. The expense ratio is the ratio, expressed as a percentage, of underwriting expenses to net premiums written. The decrease in 2008, compared to 2007, is due to a decrease in underwriting and other expenses as well as an increase in premiums written. The combined ratio is the sum of the loss ratio and the expense ratio.

Interest expense

Interest expense for 2008 increased compared to 2007. The increase primarily reflects the issuance of the $390 million of convertible debentures in March and April of 2008. See discussion of our future interest expense as it relates to our convertible debentures in Note 2 to our consolidated financial statements in Item 8.

Interest expense for 2007 increased slightly when compared to 2006 due to higher average amounts outstanding under our commercial paper program and credit facility.

Income taxes

The effective tax rate credit on our pre-tax loss was (42.1%) in 2008, compared to (37.3%) in 2007. During those periods, the rate reflected the benefits recognized from tax-preferenced investments. Our tax-preferenced investments that impact the effective tax rate consist almost entirely of tax-exempt municipal bonds. The difference in the rate was primarily the result of a smaller loss from underwriting operations during 2008, compared to 2007.

The effective tax rate credit on our pre-tax loss was (37.3%) in 2007, compared to an effective tax rate on our pre-tax income of 24.8% in 2006. During those periods, the rate reflected the benefits recognized from tax-preferenced investments. Our tax-preferenced investments that impact the effective tax rate consist almost entirely of tax-exempt municipal bonds. The difference in the rate was primarily the result of a pre-tax loss during 2007, compared to pre-tax income during 2006.

At December 31, 2008 we had net deferred tax assets of $307 million and made an assessment of the need to establish a valuation allowance for these assets. In periods prior to 2008, we deducted significant amounts of statutory contingency reserves on our federal income tax returns. The reserves were deducted to the extent we purchased tax and loss bonds in an amount equal to the tax benefit of the deduction. The reserves are included in taxable income in future years when they are released for statutory accounting purposes (see “Liquidity and Capital Resources — Risk-to-Capital”) or when the taxpayer elects to redeem the tax and loss bonds that were purchased in connection with the deduction for the reserves. Since the tax effect on these reserves exceeds the gross deferred tax assets less deferred tax liabilities, we believe that all gross deferred tax assets at December 31, 2008 are fully realizable. Therefore, we established no valuation reserve.

In 2009, since we have redeemed the remaining balance of our tax and loss bonds the remaining contingency reserves will be released and will no longer be available to support any net deferred tax assets. Therefore, any credit for income taxes, relating to future operating losses, will be reduced or eliminated by the establishment of a valuation allowance. We estimate that the total amount of tax benefits we will be able to recognize in 2009 will be limited to between $50 million and $100 million.

Joint ventures

Our equity in the earnings from Sherman and C-BASS and certain other joint ventures and investments, accounted for in accordance with the equity method of accounting, is shown separately, net of tax, on our consolidated statement of operations. Income from joint ventures, net of tax, was $24.5 million in 2008 compared to a loss from joint ventures, net of tax, of $269.3 million for 2007. The loss from joint venture in 2007 was due primarily to the impairment of our investment in C-BASS, which is discussed below. In the third quarter of 2008, we

sold our remaining interest in Sherman to Sherman. As a result, beginning in the fourth quarter of 2008, we no longer have income or loss from joint ventures.

C-BASS

Beginning in February 2007 and continuing through approximately the end of March 2007, the subprime mortgage market experienced significant turmoil. After a period of relative stability that persisted during April, May and through approximately late June, market dislocations recurred and then accelerated to unprecedented levels beginning in approximately mid-July 2007. As described in Note 10 to our consolidated financial statements in Item 8, in the third quarter of 2007, we concluded that our total equity interest in C-BASS was impaired. In addition, during the fourth quarter of 2007 due to additional losses incurred by C-BASS, we reduced the carrying value of our $50 million note from C-BASS to zero under equity method accounting.

Sherman

In August 2008 we sold our entire interest in Sherman to Sherman. Our interest sold represented approximately 24.25% of Sherman's equity. The sale price was paid $124.5 million in cash and by delivery of Sherman's unsecured promissory note in the principal amount of $85 million. The scheduled maturity of the Note is February 13, 2011 and it bears interest, payable monthly, at the annual rate equal to three-month LIBOR plus 500 basis points. The Note is issued under a Credit Agreement, dated August 13, 2008, between Sherman and MGIC.

At the time of sale the Note had a fair value of $69.5 million (18.25% discount to par). The fair value was determined by comparing the terms of the note to the discounts and yields on comparable bonds. The value was also discounted for illiquidity and lack of ratings. The discount will be amortized to interest income over the life of the note. The gain recognized on the sale was $62.8 million, and is included in realized investment gains on the statement of operations for the year ended December 31, 2008.

The sale of our interest in Sherman was effected as a repurchase of our interest by Sherman. We believe that Sherman will repay the Note in accordance with its terms. If in the future Sherman were to experience financial distress, there is a risk that Sherman would be unable to meet its obligations under the Note or, if Sherman were unable to meet its obligations generally, that creditors of Sherman would seek to set aside the entire transaction and obtain the return to Sherman of the consideration received by us in the transaction. We cannot predict Sherman's future performance but its business is sensitive to its ability to purchase receivable portfolios on favorable terms and to service those receivables such that it meets its return targets. In addition, the volume of credit

card originations and the related returns on the credit card portfolio are impacted by general economic conditions and consumer behavior. Sherman's operations are principally financed with debt under credit facilities.

For some time there has been significant tightening in credit markets, which have become even tighter beginning in September 2008 with the onset of the credit crisis, with the result that lenders are generally becoming more restrictive in the amount of credit they are willing to provide and in the terms of credit that is provided. Credit tightening could adversely impact Sherman's ability to obtain sufficient funding to maintain or expand its business and could increase the cost of funding that is obtained.

For additional information regarding the sale of our interest please refer to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 14, 2008.

Summary Sherman income statements for the periods indicated appear below. The year ended December 31, 2008 only reflects Sherman's results and our share of income from Sherman through July 31, 2008 as a result of the sale of our interest in August 2008. Prior to the sale of our interest, we did not consolidate Sherman with us for financial reporting purposes, and we did not control Sherman. Sherman's internal controls over its financial reporting were not part of our internal controls over our financial reporting. However, our internal controls over our financial reporting include processes to assess the effectiveness of our financial reporting as it pertains to Sherman. We believe those processes are effective in the context of our overall internal controls.

Sherman Summary Income Statement:

	Year ended December 31, ($ in millions)		
	2008*	2007	2006
Revenues from receivable portfolios	$ 660.3	$ 994.3	$ 1,031.6
Portfolio amortization	264.8	488.1	373.0
Revenues, net of amortization	395.5	506.2	658.6
Credit card interest income and fees	475.6	692.9	357.3
Other revenue	35.3	60.8	35.6
Total revenues	906.4	1,259.9	1,051.5
Total expenses	740.1	991.5	702.0
Income before tax	$ 166.3	$ 268.4	$ 349.5
Company's income from Sherman	$ 35.6	$ 81.6	$ 121.9

* The year ended December 31, 2008 only reflects Sherman's results and our income from Sherman through July 31, 2008 as a result of the sale of our remaining interest in August 2008.

The "Company's income from Sherman" line item in the table above includes $3.6 million, $15.6 million and $12.0 million of additional amortization expense in 2008, 2007 and 2006, respectively, above Sherman's actual amortization expense, related to additional interests in Sherman that we purchased during the third quarter of 2006 at a price in excess of book value.

In September 2007 we sold a portion of our interest in Sherman to an entity owned by Sherman's senior management. The interest sold by us represented approximately 16% of Sherman's equity. We received a cash payment of $240.8 million in the sale and recorded a $162.9 million pre-tax gain, which is reflected in our results of operations for 2007 as a realized gain.

Financial Condition

As of December 31, 2008, 81% of our investment portfolio was invested in tax-preferenced securities. In addition, at December 31, 2008, based on book value, approximately 94% of our fixed income securities were invested in 'A' rated and above, readily marketable securities, concentrated in maturities of less than 15 years. Approximately 24% of our investment portfolio is covered by the financial

guaranty industry. We evaluate the credit risk of securities through analysis of the underlying fundamentals of each issuer. A breakdown of the portion of our investment portfolio covered by the financial guaranty industry by credit rating, including the rating without the guarantee is shown below.

Underlying Rating	AAA	BBB+	B	Caa1	All
			($ millions) Guarantor Rating		
AAA	$ 2	$ 27	$—	$—	$ 29
AA	278	627	3	2	910
A	166	523	4	12	705
BBB	9	57	15	—	81
	$455	$1,234	$22	$14	$1,725

If all of the companies in the financial guaranty industry lose their 'AAA' ratings, the percentage of our fixed income portfolio rated 'A' or better will decline by 1% to 93% 'A' or better. Our maximum exposure to any individual financial guarantor is 11%.

At December 31, 2008, derivative financial instruments in our investment portfolio were immaterial. We primarily place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines. The policy also limits the amount of our credit exposure to any one issue, issuer and type of instrument. At December 31, 2008, the modified duration of our fixed income investment portfolio was 4.3 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.3% in the fair value of our fixed income portfolio. For an upward shift in the yield curve, the fair value of our portfolio would decrease and for a downward shift in the yield curve, the market value would increase.

At December 31, 2008, the investment portfolio had gross unrealized losses of $256.6 million. For those securities in an unrealized loss position, the length of time the securities were in such a position, as measured by their month-end fair values, is as follows:

December 31, 2008	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
			($ thousands)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 13,106	$ 245	$ 1,242	$ 160	$ 14,348	$ 405
Obligations of U.S. states and political subdivisions	1,640,406	102,437	552,191	135,138	2,192,597	237,575
Corporate debt securities	72,711	4,127	1,677	126	74,388	4,253
Mortgage-backed securities	41,867	14,251	—	—	41,867	14,251
Debt issued by foreign sovereign governments	—	—	—	—	—	—
Equity securities	227	10	2,062	135	2,289	145
Total investment portfolio	$ 1,768,317	$ 121,070	$ 557,172	$ 135,559	$ 2,325,489	$ 256,629

During 2008, the municipal bond market experienced historically poor performance, and resulted in approximately one-third of our securities (580 issues) being in an unrealized loss position as of December 31, 2008. The unrealized losses in all categories of our investments were primarily caused by widening spreads. Of those securities in an unrealized loss position greater than 12 months, 101 securities had a fair value greater than 80% of amortized cost and 65 securities had a fair value less than 80% of amortized cost. We do not believe the unrealized losses are related to specific issuer defaults and because we have the ability and intent to hold those investments until a recovery of fair value, which may be maturity, we do not consider those investments to be other-than-temporarily impaired at December 31, 2008.

We held approximately $524 million in auction rate securities ("ARS") backed by student loans at December 31, 2008. ARS are intended to behave like short-term debt instruments because their interest rates are reset periodically through an auction process, most commonly at intervals of 7, 28 and 35 days. The same auction process has historically provided a means by which we may rollover the investment or sell these securities at par in order to provide us with liquidity as needed. The ARS we hold are collateralized by portfolios of student loans, all of which are ultimately guaranteed by the United States Department of Education. At December 31, 2008, our ARS portfolio was 100% AAA/Aaa-rated by one or more of the following major rating agencies: Moody's, Standard & Poor's and Fitch Ratings. We carry our ARS portfolio at par. For additional information on our investment portfolio and our ARS portfolio see Notes 4 and 5 to our consolidated financial statements in Item 8.

At December 31, 2008, our total assets included $1.1 billion of cash and cash equivalents as shown on our consolidated balance sheet in Item 8. In addition, included in "Other assets" on our consolidated balance sheet at December 31, 2008 is $32.9 million in real estate acquired as part of the claim settlement process. The properties, which are held for sale, are carried at fair value. Also included in "Other assets" is $72.1 million of principal and interest receivable related to the sale of our remaining interest in Sherman.

At December 31, 2008 we had $200 million, 5.625% Senior Notes due in September 2011 and $300 million, 5.375% Senior Notes due in November 2015,

as well as $200 million outstanding under a credit facility, with a total fair value of $538.3 million. The credit facility is scheduled to expire in March 2010. This credit facility is discussed under “Liquidity and Capital Resources” below.

At December 31, 2008, we also had $390 million principal amount of 9% Convertible Junior Subordinated Debentures due in 2063. At issuance, within the $390 million principal amount was an embedded derivative with a value of $16.9 million. The amount of the derivative is treated as a discount on issuance and is being amortized over the expected life of five years to interest expense. The fair value of the convertible debentures was approximately $145.7 million at December 31, 2008.

In February 2009, the Internal Revenue Service informed us that it plans to conduct an examination of our federal income tax returns for 2005 through 2007. We believe that income taxes related to these years have been properly provided for in our financial statements.

On June 1, 2007, as a result of an examination by the Internal Revenue Service (“IRS”) for taxable years 2000 through 2004, we received a Revenue Agent Report (“RAR”). The adjustments reported on the RAR substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy-related penalties, plus applicable interest. We have agreed with the IRS on certain issues and paid $10.5 million in additional taxes and interest. The remaining open issue relates to our treatment of the flow through income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits (“REMICS”). The IRS has indicated that it does not believe that, for various reasons, we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and have appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. On July 2, 2007, we made a payment of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest. Although the resolution of this issue is uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolution of this matter differs materially from our estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

The total amount of unrecognized tax benefits as of December 31, 2008 is $87.9 million. Included in that total are $76.0 million in benefits that would affect our effective tax rate. We recognize interest accrued and penalties related to unrecognized tax benefits in income taxes. We have accrued $21.4 million for

the payment of interest as of December 31, 2008. The establishment of this liability required estimates of potential outcomes of various issues and required significant judgment. Although the resolutions of these issues are uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolutions of these matters differ materially from these estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

Our principal exposure to loss is our obligation to pay claims under MGIC's mortgage guaranty insurance policies. At December 31, 2008, MGIC's direct (before any reinsurance) primary and pool risk in force, which is the unpaid principal balance of insured loans as reflected in our records multiplied by the coverage percentage, and taking account of any loss limit, was approximately $63.2 billion. In addition, as part of our contract underwriting activities, we are responsible for the quality of our underwriting decisions in accordance with the terms of the contract underwriting agreements with customers. Through December 31, 2008, the cost of remedies provided by us to customers for failing to meet the standards of the contracts has not been material. However, a generally positive economic environment for residential real estate that continued through a portion of 2007 may have mitigated the effect of some of these costs, the claims for which may lag, by as much as several years, deterioration in the economic environment for residential real estate. There can be no assurance that contract underwriting remedies will not be material in the future.

Liquidity and Capital Resources

Overview

Our sources of funds consist primarily of:

- our investment portfolio (which is discussed in "Financial Condition" above), and interest income on the portfolio,
- premiums that we will receive from our existing insurance in force as well as policies that we write in the future,
- amounts, if any, remaining available under our credit facility expiring in March 2010,
- amounts received from the redemption of U.S. government non-interest bearing tax and loss bonds (which are discussed below),
- amounts that we expect to recover from captives (which are discussed in "Results of Consolidated Operations — Risk-Sharing Arrangements"

and "Results of Consolidated Operations — Losses — Losses Incurred" above) and

- amounts we may recover under our reinsurance agreement with HCC (which are discussed in "Results of Consolidated Operations — Risk-Sharing Arrangements" above).

Our obligations consist primarily of:

- claims payments under MGIC's mortgage guaranty insurance policies,
- the amount outstanding under our credit facility that expires in March 2010,
- our $200 million of 5.625% Senior Notes due in September 2011,
- our $300 million of 5.375% Senior Notes due in November 2015,
- our $390 million of convertible debentures due in 2063,
- interest on the foregoing debt instruments and
- the other costs and operating expenses of our business.

Historically cash inflows from premiums have exceeded claim payments. When this is the case, we invest positive cash flows pending future payments of claims and other expenses. However, we anticipate that in the full year 2009, and in accordance with the assumptions underlying the table under "Contractual obligations" below, also in 2010, claim payments will exceed premiums received. As discussed under "—Losses incurred" above, due to the uncertainty regarding how certain factors, such as foreclosure moratoriums, servicing and court delays, loan modifications, fraud investigations and claim rescissions and denials, will affect our future paid claims it has become even more difficult to estimate the amount and timing of future claim payments. When we experience cash shortfalls, we can fund them through sales of short-term investments and other investment portfolio securities, subject to insurance regulatory requirements regarding the payment of dividends to the extent funds were required by an entity other than the seller. Substantially all of the investment portfolio securities are held by our insurance subsidiaries.

During 2008, we redeemed in exchange for cash from the US Treasury approximately $972 million of tax and loss bonds. In January of 2009, we redeemed $398 million of tax and loss bonds. We plan to redeem an additional $34 million in the first quarter of 2009. After the first quarter redemption, we will no longer hold any tax and loss bonds. Tax and loss bonds that we purchased were not assets on our balance sheet but were recorded as payments of current

federal taxes. For further information about tax and loss bonds, see Note 2 to our consolidated financial statements in Item 8.

To increase our capital position, late in the first quarter and early in the second quarter of 2008, we raised net proceeds of approximately $840 million through the sale of our common stock and junior convertible debentures. In the second quarter of 2008, we further enhanced our claims paying resources by entering into the reinsurance agreement with HCC discussed under “Results of Consolidated Operations-Risk sharing arrangements.” In the third quarter of 2008 we sold our remaining interest in Sherman and recognized a gain of $62.8 million. As discussed under “Overview—Outlook—Capital,” we may need additional capital in 2009 to continue to write new business.

Debt at Our Holding Company and Holding Company Capital Resources

For information about debt at our holding company, see Notes 6 and 7 to our consolidated financial statements in Item 8. You should also review “Overview—Debt at our Holding Company and Holding Company Capital Resources” above.

The credit facility, senior notes and convertible debentures described in these notes are obligations of MGIC Investment Corporation and not of its subsidiaries. We are a holding company and the payment of dividends from our insurance subsidiaries, which historically has been the principal source of our holding company cash inflow, is restricted by insurance regulation. MGIC is the principal source of dividend-paying capacity. During 2008, MGIC paid three quarterly dividends of $15 million each to our holding company, which increased the cash resources of our holding company. As has been the case for the past several years, as a result of extraordinary dividends paid, MGIC cannot currently pay any dividends without regulatory approval. In light of the matters discussed under “Overview—Outlook—Capital,” we do not anticipate seeking approval in 2009 for any additional dividends from MGIC that would increase our cash resources at the holding company.

The credit facility requires us to maintain Consolidated Net Worth of no less than $2.00 billion at all times. However, if as of June 30, 2009, Consolidated Net Worth equals or exceeds $2.75 billion, then the minimum Consolidated Net Worth under the facility will be increased to $2.25 billion at all times from and after June 30, 2009. Consolidated Net Worth is generally defined in our credit agreement as the sum of our consolidated shareholders’ equity plus the aggregate outstanding principal amount of our 9% Convertible Junior Subordinated Debentures due 2063, currently $390 million. The credit facility also requires MGIC to maintain a statutory risk-to-capital ratio of not more than 22:1 and maintain policyholders’ position (which includes MGIC’s statutory surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulations. At December 31, 2008, these requirements were met. Our Consolidated Net Worth at December 31, 2008 was approximately $2.7 billion. At December 31, 2008 MGIC’s risk-to-capital was 12.9:1 and MGIC exceeded MPP by more than $1.5 billion. See additional discussion of risk-to-capital and MPP under “Overview—Outlook—Capital”. You should also review our risk factor titled “The amounts that we owe under our revolving credit facility and Senior Notes could be accelerated” in Item 1A.

As of December 31, 2008, we had a total of approximately $394 million in short-term investments at our holding company. These investments are virtually all of our holding company's liquid assets. Our holding company's obligations include $400 million of debt which is scheduled to mature before the end of 2011. Our use of funds at the holding company includes interest payments on our Senior Notes, credit facility and junior convertible debentures. On an annual basis, in aggregate, these uses total approximately $74 million, based on the current rate in effect on our credit facility and assuming a full year of interest on the entire $390 million of debentures. In October 2008 we eliminated the dividend on our common stock. See Note 7 to our consolidated financial statements in Item 8 for a discussion of our rights to defer payment of interest on our junior convertible debentures. The annual interest payments on these debentures approximate $35 million.

We may from time to time seek to acquire our debt obligations through cash purchases and/or exchanges for other securities. We may do this in open market purchases, privately negotiated acquisitions or other transactions. The amounts involved may be material.

Risk-to-Capital

We consider our risk-to-capital ratio an important indicator of our financial strength and our ability to write new business. Some states that regulate us have provisions that limit the risk-to-capital ratio of a mortgage guaranty insurance company to 25:1 (see "Outlook—Capital"). If an insurance company's risk-to-capital ratio exceeds the limit applicable in a state, it may be prohibited from writing new business in that state until its risk-to-capital ratio falls below the limit.

This ratio is computed on a statutory basis for our combined insurance operations and is our net risk in force divided by our policyholders' position. Our net risk in force included both primary and pool risk in force. The risk amount represents pools of loans or bulk deals with contractual aggregate loss limits and in some cases without these limits. For pools of loans without such limits, risk is estimated based on the amount that would credit enhance the loans in the pool to a "AA" level based on a rating agency model. Policyholders' position consists primarily of statutory policyholders' surplus (which increases as a result of statutory net income and decreases as a result of statutory net loss and dividends paid), plus the statutory contingency reserve. The statutory contingency reserve is reported as a liability on the statutory balance sheet. A mortgage insurance company is required to make annual contributions to the contingency reserve of approximately 50% of net earned premiums. These contributions must generally be maintained for a period of ten years. However, with regulatory approval a mortgage insurance company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net earned premium in a calendar year.

The premium deficiency reserve discussed under "Results of Operations — Losses — Premium deficiency" above is not recorded as a liability on the statutory balance sheet and is not a component of statutory net income. The present value of expected future premiums and already established loss reserves and statutory contingency reserves exceeds the present value of expected future losses and expenses, so no deficiency is recorded on a statutory basis.

Our combined insurance companies' risk-to-capital calculation appears in the table below.

	December 31, 2008	December 31, 2007
	($ in millions)	
Risk in force — net (1)	$ 54,496	$ 57,527
Statutory policyholders' surplus	$ 1,613	$ 1,351
Statutory contingency reserve	2,086	3,464
Statutory policyholders' position	$ 3,699	$ 4,815
Risk-to-capital:	14.7:1	11.9:1

(1) Risk in force — net at December 31, 2008, as shown in the table above, is net of reinsurance and established loss reserves as discussed under "Capital" above. Risk in force — net at December 31, 2007 is net of reinsurance.

The increase in risk-to-capital during 2008 is the result of a decrease in statutory policyholders' position. Statutory policyholders' position decreased in 2008, primarily due to losses incurred, offset by a capital contribution to our subsidiary, MGIC, from the proceeds raised by the sale of our common stock and convertible debentures. If our insurance in force continues to grow, our risk in force would also grow. To the extent our statutory policyholders' position does not increase at the same rate as our growth in risk in force, our risk-to-capital ratio will increase. Similarly, if our statutory policyholders' position decreases at a greater rate than our risk in force, then our risk-to-capital ratio will increase.

We expect that our risk-to-capital ratio will increase above its level at December 31, 2008. See further discussion under "Overview-Capital" above as well as our risk factor titled "Because our policyholders position could decline and our risk-to-capital could increase beyond the levels necessary to meet regulatory requirements we are considering options to obtain additional capital" in Item 1A.

Financial Strength Ratings

At the time this annual report was finalized, the financial strength of MGIC, our principal mortgage insurance subsidiary, was rated Ba2 by Moody's Investors Service and the outlook of this rating was considered, by Moody's, to be developing; Standard and Poor's Rating Services' insurer financial strength rating of MGIC was A- with a negative outlook; and the financial strength of MGIC was rated A- by Fitch Ratings with a negative outlook.

For further information about the importance of MGIC's ratings, see our Risk Factor titled "Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings" in Item 1A.

Contractual Obligations

At December 31, 2008, the approximate future payments under our contractual obligations of the type described in the table below are as follows:

Contractual Obligations ($ millions):	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	$ 3,148	$ 74	$ 524	$ 102	$ 2,448
Operating lease obligations	16	6	7	3	—
Purchase obligations	—	—	—	—	—
Pension, SERP and other post-retirement benefit plans	141	8	19	25	89
Other long-term liabilities	4,776	2,436	2,245	95	—
Total	$ 8,081	$ 2,524	$ 2,795	$ 225	$ 2,537

Our long-term debt obligations at December 31, 2008 include our $300 million of 5.375% Senior Notes due in November 2015, $200 million of 5.625% Senior Notes due in September 2011, $200 million outstanding under a credit facility expiring in March 2010 and $390 million in convertible debentures due in 2063, including related interest, as discussed in Notes 6 and 7 to our consolidated financial statements in Item 8 and under "—Liquidity and Capital Resources" above. For discussions related to our debt covenants see "-Liquidity and Capital Resources" and our risk factor titled "The amounts that we owe under our revolving credit facility and Senior Notes could be accelerated" In Item 1A. Our operating lease obligations include operating leases on certain office space, data processing equipment and autos, as discussed in Note 14 to our consolidated financial statements in Item 8. See Note 11 to our consolidated financial statement in Item 8 for discussion of expected benefit payments under our benefit plans.

Our other long-term liabilities represent the loss reserves established to recognize the liability for losses and loss adjustment expenses related to defaults on insured mortgage loans. We are including these liabilities because we agreed to do so in 2005 to resolve a comment from the staff of the SEC. The timing of the future claim payments associated with the established loss reserves was determined primarily based on two key assumptions: the length of time it takes for a notice of default to develop into a received claim and the length of time it takes for a received claim to be ultimately paid. The future claim payment periods are estimated based on historical experience, and could emerge significantly different than this estimate. As discussed under "—Losses incurred" above, due to the uncertainty regarding how certain factors, such as foreclosure moratoriums, servicing and court delays, loan modifications, fraud investigations and claim rescissions and denials will affect our future paid claims it has become even more difficult to estimate the amount and timing of future claim payments. Current conditions in the housing and mortgage industries make all of the assumptions discussed in this paragraph more volatile than they would otherwise be. See Note 8 to our consolidated financial statements in Item 8 and "-Critical Accounting Policies" below. In accordance with GAAP for the mortgage insurance industry, we establish loss reserves only for loans in default. Because our reserving method does not take account of the impact of future losses that could occur from loans that are not delinquent, our obligation for ultimate losses that we expect to occur under our policies in force at any period end is not reflected in our financial statements or in the table above.

The table above does not reflect the liability for unrecognized tax benefits due to uncertainties in the timing of the effective settlement of tax positions. We can not make a reasonably reliable estimate of the timing of payment for the liability for unrecognized tax benefits, net of payments on account, of $19.7 million. See Note 12 to our consolidated financial statement in Item 8 for additional discussion on unrecognized tax benefits.

Critical Accounting Policies

We believe that the accounting policies described below involved significant judgments and estimates used in the preparation of our consolidated financial statements.

Loss reserves and premium deficiency reserves

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. A default is defined as an insured loan with a mortgage payment that is 45 days or more past due. Reserves are also established for estimated losses

incurred on notices of default not yet reported. In accordance with GAAP for the mortgage insurance industry, we do not establish loss reserves for future claims on insured loans which are not currently in default.

We establish reserves 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. The liability for reinsurance assumed is based on information provided by the ceding companies.

The incurred but not reported, or IBNR, reserves referred to above result from defaults occurring prior to the close of an accounting period, but which have not been reported to us. 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. As of December 31, 2008 and 2007, we had IBNR reserves of $480 million and $368 million, respectively.

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

The estimated claims rates and claims amounts represent what we believe best reflect the estimate of what will actually be paid on the loans in default as of the reserve date. The estimate of claims rates and claims amounts are based on our review of recent trends in the default inventory. We review recent trends in the rate at which defaults resulted in a claim, or the claim rate, the amount of the claim, or severity, the change in the level of defaults by geography and the change in average loan exposure. As a result, the process to determine reserves does not include quantitative ranges of outcomes that are reasonably likely to occur.

The claims rate and claim amounts are likely to be affected by external events, including actual economic conditions such as changes in unemployment rate, interest rate or housing value. Our estimation process does not include a correlation between claims rate and claims amounts to projected economic conditions such as changes in unemployment rate, interest rate or housing value. Our experience is that analysis of that nature would not produce reliable results. The results would not be reliable as the change in one economic condition can not be isolated to determine its sole effect on our ultimate paid losses as our ultimate paid losses are also influenced at the same time by other economic conditions. Additionally, the changes and interaction of these economic conditions are not likely homogeneous throughout the regions in which we conduct business. Each economic environment influences our ultimate paid losses differently, even if apparently similar in nature. Furthermore, changes in economic conditions may not necessarily be reflected in our loss development in the quarter or year in which the changes occur. Typically, actual claim results often lag changes in economic conditions by at least nine to twelve months.

In considering the potential sensitivity of the factors underlying our best estimate of loss reserves, it is possible that even a relatively small change in estimated claim rate or a relatively small percentage change in estimated claim amount could have a significant impact on reserves and, correspondingly, on results of operations. For example, a $1,000 change in the average severity reserve factor combined with a 1% change in the average claim rate reserve factor would change the reserve amount by approximately $184 million as of December 31, 2008. Historically, it has not been uncommon for us to experience variability in the development of the loss reserves through the end of the following year at this level or higher, as shown by the historical development of our loss reserves in the table below:

	Losses incurred related to prior years (1)	Reserve at end of prior year
2008	$(387,104)	$2,642,479
2007	(518,950)	1,125,715
2006	90,079	1,124,454
2005	126,167	1,185,594
2004	13,451	1,061,788

(1) A positive number for a prior year indicates a redundancy of loss reserves, and a negative number for a prior year indicates a deficiency of loss reserves.

Estimation of losses that we 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. Current conditions in the housing and mortgage industries make these assumptions more volatile than they would otherwise be. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values that could materially reduce our ability to mitigate potential losses through property acquisition and resale or expose us to greater losses on resale of properties obtained through the claim settlement process. Changes to our estimates could result in a material impact to our results of operations, even in a stable economic environment.

Our estimates could also be positively affected by government efforts to assist current borrowers in refinancing to new loan instruments, assisting delinquent borrowers and lenders in modifying their mortgage notes into something more affordable, and forestalling foreclosures. In addition private

company efforts may have a positive impact on our loss development. However, all of these efforts are in their early stages and therefore we are unsure of their magnitude or the benefit to us or our industry, and as a result are not factored into our current reserving.

Our estimates could also be positively affected by the extent of fraud that we uncover in the loans we have insured; higher rates of fraud should lead to higher rates of rescission, although the relationship may not be linear. Rescissions and denials totaled $85 million in the fourth quarter of 2008 and $171 million for the year ending December 31, 2008. In the fourth quarter of 2007 rescissions and denials totaled only $7 million and totaled only $28 million for the year ended December 31, 2007.

Loss reserves in the most recent years contain a greater degree of uncertainty, even though the estimates are based on the best available data.

Premium deficiency reserve

After our reserves are established, we perform premium deficiency calculations using best estimate assumptions as of the testing date. The calculation of premium deficiency reserves requires the use of significant judgments and estimates to determine the present value of future premium and present value of expected losses and expenses on our business. The present value of future premium relies on, among other things, assumptions about persistency and repayment patterns on underlying loans. The present value of expected losses and expenses depends on assumptions relating to severity of claims and claim rates on current defaults, and expected defaults in future periods. Assumptions used in calculating the deficiency reserves can be affected by volatility in the current housing and mortgage lending industries. To the extent premium patterns and actual loss experience differ from the assumptions used in calculating the premium deficiency reserves, the differences between the actual results and our estimate will affect future period earnings.

The establishment of premium deficiency reserves is subject to inherent uncertainty and requires judgment by management. The actual amount of claim payments and premium collections may vary significantly from the premium deficiency reserve estimates. Similar to our loss reserve estimates, our estimates for premium deficiency reserves could be adversely affected by several factors, including a deterioration of regional or economic conditions leading to a reduction in borrowers’ income and thus their ability to make mortgage payments, and a drop in housing values that could expose us to greater losses. Changes to our estimates could result in material changes in our operations, even in a stable economic environment. Adjustments to premium deficiency reserves estimates are reflected in the financial statements in the years in which the adjustments are made.

As is the case with our loss reserves, as discussed above, the severity of claims and claim rates, as well as persistency for the premium deficiency calculation, are likely to be affected by external events, including actual economic conditions. However, our estimation process does not include a correlation between these economic conditions and our assumptions because it is our experience that an analysis of that nature would not produce reliable results. In considering the potential sensitivity of the factors underlying management's best estimate of premium deficiency reserves, it is possible that even a relatively small change in estimated claim rate or a relatively small percentage change in estimated claim amount could have a significant impact on the premium deficiency reserve and, correspondingly, on our results of operations. For example, a $1,000 change in the average severity combined with a 1% change in the average claim rate could change the Wall Street bulk premium deficiency reserve amount by approximately $125 million. Additionally, a 5% change in the persistency of the underlying loans could change the Wall Street bulk premium deficiency reserve amount by approximately $22 million. We do not anticipate changes in the discount rate will be significant enough as to result in material changes in the calculation.

Revenue recognition

When a policy term ends, the primary mortgage insurance written by us is renewable at the insured's option through continued payment of the premium in accordance with the schedule established at the inception of the policy term. We have no ability to reunderwrite or reprice these policies after issuance. Premiums written under policies having single and annual premium payments 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 the monthly coverage is provided. When a policy is cancelled, all premium that is non-refundable is immediately earned. Any refundable premium is returned to the lender and will have no effect on earned premium. Policy cancellations also lower the persistency rate which is a variable used in calculating the rate of amortization of deferred policy acquisition costs discussed below.

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

Deferred insurance policy acquisition costs

Costs associated with the acquisition of mortgage insurance policies, consisting of employee compensation and other policy issuance and underwriting expenses, are initially deferred and reported as deferred insurance policy acquisition costs. Deferred insurance policy acquisition costs arising from each book of business is charged against revenue in the same proportion that the underwriting profit for the period of the charge bears to the total underwriting profit over the life of the policies. The underwriting profit and the life of the policies are estimated and are reviewed quarterly and updated when necessary to reflect actual experience and any changes to key variables such as persistency or loss development. Interest is accrued on the unamortized balance of deferred insurance policy acquisition costs.

Because our insurance premiums are earned over time, changes in persistency result in deferred insurance policy acquisition costs being amortized against revenue over a comparable period of time. At December 31, 2008, the persistency rate of our primary mortgage insurance was 84.4%, compared to 76.4% at December 31, 2007. This change did not significantly affect the amortization of deferred insurance policy acquisition costs for the period ended December 31, 2008. A 10% change in persistency would not have a material effect on the amortization of deferred insurance policy acquisition costs in the subsequent year.

If a premium deficiency exists, we reduce the related deferred insurance policy acquisition costs by the amount of the deficiency or to zero through a charge to current period earnings. If the deficiency is more than the deferred insurance policy acquisition costs balance, we then establish a premium deficiency reserve equal to the excess, by means of a charge to current period earnings.

Fair Value Measurements

Effective January 1, 2008, we adopted the fair value measurement provisions of SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. This statement defines fair value, expands disclosure requirements about fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect a company’s market assumptions. Fair value is used on a recurring basis for assets and liabilities in which fair value is the primary basis of accounting (i.e., available-for-sale securities). Additionally, fair value is used on a nonrecurring basis to evaluate assets or liabilities for impairment or for disclosure purposes.

Fair value is defined as the price that would be received in a sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, we use various valuation techniques and assumptions when estimating fair value. In accordance with SFAS No. 157, we applied the following fair value hierarchy in order to measure fair value for assets and liabilities:

Level 1 — Quoted prices for identical instruments in active markets that we have the ability to access. Financial assets utilizing Level 1 inputs include certain U.S. Treasury securities and obligations of the U.S. government.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and inputs, other than quoted prices, that are observable in the marketplace for the financial instrument. The observable inputs are used in valuation models to calculate the fair value of the financial instruments. Financial assets utilizing Level 2 inputs include certain municipal and corporate bonds.

Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable. Level 3 inputs reflect our own assumptions about the assumptions a market participant would use in pricing an asset or liability. Financial assets utilizing Level 3 inputs include certain state, corporate, auction rate (backed by student loans) and mortgage-backed securities. Non-financial assets which utilize Level 3 inputs include real estate acquired through claim settlement. Additionally, financial liabilities utilizing Level 3 inputs consist of derivative financial instruments.

To determine the fair value of securities available-for-sale in Level 1 and Level 2 of the fair value hierarchy a variety of inputs are utilized including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications. Inputs may be weighted differently for any security, and not all inputs are used for each security evaluation. Market indicators, industry and economic events are also considered. This information is evaluated using a multidimensional pricing model. Quality controls are performed throughout this process which includes reviewing tolerance reports, trading information and data changes, and directional moves compared to market moves. This model combines all inputs to arrive at a value assigned to each security.

The values generated by this model are also reviewed for reasonableness and, in some cases, further analyzed for accuracy, which includes the review of other publicly available information. Securities whose fair value is primarily

based on the use of our multidimensional pricing model are classified in Level 2 and include certain municipal and corporate bonds.

Assets and liabilities classified as Level 3 are as follows:

- Securities available-for-sale classified in Level 3 are not readily marketable and are valued using internally developed models based on the present value of expected cash flows. Our Level 3 securities primarily consist of auction rate securities. Our investments in auction-rate securities were classified as Level 3 beginning in the fourth quarter of 2008 as quoted prices were unavailable due to events described in Note 4 to our consolidated financial statements and as there became increased doubt as to the liquidity of the securities. In particular, announced settlements in the fourth quarter of 2008 specified that re-marketers of the ARS provide liquidity to retail investors prior to providing liquidity to institutional investors and we did not observe a majority of issuers replacing these securities with another form of financing. Due to limited market information, we utilized a discounted cash flow (“DCF”) model to derive an estimate of fair value at December 31, 2008. The assumptions used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place, and the rate of return required by investors to own such securities given the current liquidity risk associated with auction-rate securities. The DCF model is based on the following key assumptions:

  - Nominal credit risk as the securities are ultimately guaranteed by the United States Department of Education
  - Five years to liquidity
  - Continued receipt of contractual interest; and
  - Discount rates incorporating a 1.50% spread for liquidity risk

A 1.00% change in the discount rate would change the value of our ARS by approximately $17 million. A two year change to the years to liquidity assumption would change the value of our ARS by approximately $1 million. The remainder of our level 3 securities are valued based on the present value of expected cash flows utilizing data provided by the trustees.

- Real estate acquired through claim settlement is fair valued at the lower of our acquisition cost or a percentage of appraised value. The percentage applied to appraised value is based upon our historical sales experience adjusted for current trends.

- As discussed in Note 7 to our consolidated financial statements in Item 8 the derivative related to the outstanding debentures was valued using the Black-

Scholes model. Remaining derivatives were valued internally, based on the present value of expected cash flows utilizing data provided by the trustees.

Investment Portfolio

We categorize our investment portfolio according to our ability and intent to hold the investments to maturity. Investments which we do not have the ability and intent to hold to maturity are considered to be available-for-sale and are reported at fair value and the related unrealized gains or losses are, after considering the related tax expense or benefit, recognized as a component of accumulated other comprehensive income in shareholders' equity. Our entire investment portfolio is classified as available-for-sale. Realized investment gains and losses are reported in income based upon specific identification of securities sold.

We complete a quarterly review of invested assets for evidence of "other than temporary" impairments. A cost basis adjustment and realized loss will be taken on invested assets whose value decline is deemed to be "other than temporary". Additionally, for investments written down, income accruals will be stopped absent evidence that payment is likely and an assessment of the collectibility of previously accrued income is made. Factors used in determining investments whose value decline may be considered "other than temporary" include, among others, the following:

- Investments with a market value less than 80% of amortized costs
- For fixed income and preferred stocks, declines in credit ratings to below investment grade from appropriate rating agencies
- Other securities which are under pressure due to market constraints or event risk
- Intention and ability to hold fixed income securities to recovery
- Length of time in a unrealized loss position

For the year ended December 31, 2008 we recognized "other than temporary" impairment charges of approximately $63 million on our fixed income investments, including Fannie Mae, Freddie Mac, Lehman Brothers and AIG. There were no "other than temporary" asset impairment charges on our investment portfolio for the years ending December 31, 2007 and 2006.

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

At December 31, 2008, the derivative financial instruments in our investment portfolio were immaterial. We place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At December 31, 2008, the modified duration of our fixed income investment portfolio was 4.3 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.3% in the market value of our fixed income portfolio. For an upward shift in the yield curve, the market value of our portfolio would decrease and for a downward shift in the yield curve, the market value would increase.

The interest rate on our $300 million credit facility is variable and is based on, at our option, LIBOR plus a margin that varies with MGIC's financial strength rating or a base rate specified in the credit agreement. For each 100 basis point change in LIBOR or the base rate, our interest cost, expressed on an annual basis, would change by 1%. Based on the amount outstanding under our credit facility as of December 31, 2008, this would result in a change of $2 million.

Item 8. Financial Statements and Supplementary Data.

The following consolidated financial statements are filed pursuant to this Item 8:

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MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2008, 2007 and 2006
(Audited)

	2008	2007	2006
	(In thousands of dollars, except per share data)		
Revenues:			
Premiums written:			
Direct	$ 1,661,544	$ 1,513,395	$ 1,357,107
Assumed	12,221	3,288	2,052
Ceded (note 9)	(207,718)	(170,889)	(141,923)
Net premiums written	1,466,047	1,345,794	1,217,236
Increase in unearned premiums	(72,867)	(83,404)	(29,827)
Net premiums earned (note 9)	1,393,180	1,262,390	1,187,409
Investment income, net of expenses (note 4)	308,517	259,828	240,621
Realized investment (losses) gains, net (note 4)	(12,486)	142,195	(4,264)
Other revenue	32,315	28,793	45,403
Total revenues	1,721,526	1,693,206	1,469,169
Losses and expenses:			
Losses incurred, net (notes 8 and 9)	3,071,501	2,365,423	613,635
Change in premium deficiency reserves (note 8)	(756,505)	1,210,841	—
Underwriting and other expenses	271,314	309,610	290,858
Reinsurance fee (note 9)	1,781	—	—
Interest expense (notes 6 and 7)	71,164	41,986	39,348
Total losses and expenses	2,659,255	3,927,860	943,841
(Loss) income before tax and joint ventures	(937,729)	(2,234,654)	525,328
(Credit) provision for income tax (note 12)	(394,329)	(833,977)	130,097
Income (loss) from joint ventures, net of tax (note 10)	24,486	(269,341)	169,508
Net (loss) income	$ (518,914)	$ (1,670,018)	$ 564,739
(Loss) earnings per share (note 13):			
Basic	$ (4.55)	$ (20.54)	$ 6.70
Diluted	$ (4.55)	$ (20.54)	$ 6.65
Weighted average common shares outstanding - - basic (shares in thousands, note 2)	113,962	81,294	84,332
Weighted average common shares outstanding - - diluted (shares in thousands, note 2)	113,962	81,294	84,950
Dividends per share	$ 0.075	$ 0.775	$ 1.000

See accompanying notes to consolidated financial statements.

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MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007
(Audited)

	2008	2007
	(In thousands of dollars)	
ASSETS		
Investment portfolio (note 4):		
Securities, available-for-sale, at fair value:		
Fixed maturities (amortized cost, 2008-$7,120,690; 2007-$5,791,562)	$ 7,042,903	$ 5,893,591
Equity securities (cost, 2008-$2,778; 2007-$2,689)	2,633	2,642
Total investment portfolio	7,045,536	5,896,233
Cash and cash equivalents	1,097,334	288,933
Accrued investment income	90,856	72,829
Reinsurance recoverable on loss reserves (note 9)	232,988	35,244
Prepaid reinsurance premiums (note 9)	4,416	8,715
Premiums receivable	97,601	107,333
Home office and equipment, net	32,255	34,603
Deferred insurance policy acquisition costs	11,504	11,168
Investments in joint ventures (note 10)	—	143,694
Income taxes recoverable	406,568	865,665
Other assets	163,771	251,944
Total assets	$ 9,182,829	$ 7,716,361
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves (notes 8 and 9)	$ 4,775,552	$ 2,642,479
Premium deficiency reserves (note 8)	454,336	1,210,841
Unearned premiums (note 9)	336,098	272,233
Short- and long-term debt (note 6)	698,446	798,250
Convertible debentures (note 7)	375,593	—
Other liabilities	175,604	198,215
Total liabilities	6,815,629	5,122,018
Contingencies (note 15)		
Shareholders' equity (note 13):		
Common stock, $1 par value, shares authorized 460,000,000; shares issued 2008 - 130,118,744; 2007 - 123,067,426 outstanding 2008 - 125,068,350; 2007 - 81,793,185	130,119	123,067
Paid-in capital	367,067	316,649
Treasury stock (shares at cost 2008 - 5,050,394; 2007 - 41,274,241)	(276,873)	(2,266,364)
Accumulated other comprehensive (loss) income, net of tax (note 2)	(106,789)	70,675
Retained earnings	2,253,676	4,350,316
Total shareholders' equity	2,367,200	2,594,343
Total liabilities and shareholders' equity	$ 9,182,829	$ 7,716,361

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2008, 2007 and 2006
(Audited)

	Common stock	Paid-in capital	Treasury stock	Accumulated other comprehensive income (loss) (note 2)	Retained earnings	Comprehensive income (loss)
			(In thousands of dollars)			
Balance, December 31, 2005	$ 122,549	$ 280,052	$ (1,834,434)	$ 77,499	$ 5,519,389	
Net income	—	—	—	—	564,739	$ 564,739
Change in unrealized investment gains and losses, net	—	—	—	5,796	—	5,796
Unrealized gain (loss) on derivatives, net	—	—	—	777	—	777
Dividends declared	—	—	—	—	(85,497)	
Common stock shares issued	480	24,386	—	—	—	
Repurchase of outstanding common shares	—	—	(385,629)	—	—	
Reissuance of treasury stock	—	(25,074)	18,097	—	—	
Equity compensation	—	31,030	—	—	—	
Defined benefit plan adjustments, net	—	—	—	(17,786)		
Other	—	—	—	(497)	—	(497)
Comprehensive income	—	—	—	—	—	$ 570,815
Balance, December 31, 2006	$ 123,029	$ 310,394	$ (2,201,966)	$ 65,789	$ 5,998,631	
Net loss	—	—	—	—	(1,670,018)	$ (1,670,018)
Change in unrealized investment gains and losses, net	—	—	—	(17,767)	—	(17,767)
Dividends declared	—	—	—	—	(63,819)	
Common stock shares issued	38	2,205	—	—	—	
Repurchase of outstanding common shares	—	—	(75,659)	—	—	
Reissuance of treasury stock	—	(14,187)	11,261	—	—	
Equity compensation	—	18,237	—	—	—	
Defined benefit plan adjustments, net	—	—	—	14,561	—	14,561
Change in the liability for unrecognized tax benefits	—	—	—	—	85,522	
Unrealized foreign currency translation adjustment				8,456		8,456
Other	—	—	—	(364)	—	(364)
Comprehensive loss	—	—	—	—	—	$ (1,665,132)
Balance, December 31, 2007	$ 123,067	$ 316,649	$ (2,266,364)	$ 70,675	$ 4,350,316	
Net loss					(518,914)	(518,914)
Change in unrealized investment gains and losses, net (note 4)	—	—	—	(116,939)	—	(116,939)
Dividends declared (note 13)	—	—	—	—	(8,159)	
Common stock shares issued (13)	7,052	68,706	—	—	—	
Reissuance of treasury stock (13)	—	(41,686)	1,989,491	—	(1,569,567)	
Equity compensation (note 13)	—	20,562	—	—	—	
Defined benefit plan adjustments, net (note 11)	—	—	—	(44,649)	—	(44,649)
Unrealized foreign currency translation adjustment	—	—		(16,354)		(16,354)
Other	—	2,836	—	478	—	478
Comprehensive loss	—	—	—	—	—	$ (696,378)
Balance, December 31, 2008	$ 130,119	$ 367,067	$ (276,873)	$ (106,789)	$ 2,253,676	

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008, 2007 and 2006
(Audited)

	2008	2007	2006
		(In thousands of dollars)	
Cash flows from operating activities:			
Net (loss) income	$ (518,914)	$(1,670,018)	$ 564,739
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred insurance policy acquisition costs	10,024	12,922	14,202
Capitalized deferred insurance policy acquisition costs	(10,360)	(11,321)	(8,555)
Depreciation and other amortization	34,304	25,177	22,317
(Increase) decrease in accrued investment income	(18,027)	(8,183)	1,723
(Increase) decrease in reinsurance recoverable on loss reserves	(197,744)	(21,827)	1,370
Decrease (increase) in prepaid reinsurance premiums	4,299	905	(12)
Decrease (increase) in premium receivable	9,732	(19,262)	3,476
Decrease (increase) in real estate aquired	112,340	(25,992)	(44,652)
Increase in loss reserves	2,133,073	1,516,764	1,261
(Decrease) increase in premium deficiency reserve	(756,505)	1,210,841	—
Increase in unearned premiums	63,865	82,572	29,838
Decrease (increase) in income taxes recoverable	459,097	(814,624)	(32,465)
Equity (earnings) losses from joint ventures	(33,794)	424,346	(249,473)
Distributions from joint ventures	22,195	51,512	150,549
Realized loss (gain)	12,486	(142,195)	4,264
Other	38,837	20,354	37,215
Net cash provided by operating activities	1,364,908	631,971	495,797
Cash flows from investing activities:			
Purchase of equity securities	(89)	(95)	(90)
Purchase of fixed maturities	(3,592,600)	(2,721,294)	(1,841,293)
Additional investment in joint ventures	(546)	(3,903)	(75,948)
Sale of investment in joint ventures	150,316	240,800	—
Note receivable from joint ventures	—	(50,000)	—
Proceeds from sale of fixed maturities	1,724,780	1,690,557	1,563,889
Proceeds from maturity of fixed maturities	413,328	331,427	311,604
Other	19,547	(1,262)	1,881
Net cash used in investing activities	(1,285,264)	(513,770)	(39,957)
Cash flows from financing activities:			
Dividends paid to shareholders	(8,159)	(63,819)	(85,495)
(Repayment of) proceeds from note payable	(100,000)	300,000	—
Proceeds from issuance of long-term debt	—	—	199,958
Repayment of long-term debt	—	(200,000)	—
Repayment of short-term debt	—	(87,110)	(110,908)
Net proceeds from convertible debentures	377,199	—	—
Proceeds from reissuance of treasury stock	383,959	1,484	1,677
Payments for repurchase of common stock	—	(75,659)	(385,629)
Common stock shares issued	75,758	2,098	18,100
Excess tax benefits from share-based payment arrangements	—	—	4,939
Net cash provided by (used in) financing activities	728,757	(123,006)	(357,358)
Net increase (decrease) in cash and cash equivalents	808,401	(4,805)	98,482
Cash and cash equivalents at beginning of year	288,933	293,738	195,256
Cash and cash equivalents at end of year	$ 1,097,334	$ 288,933	$ 293,738

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008, 2007 and 2006

1. Nature of business

MGIC Investment Corporation is a holding company which, through Mortgage Guaranty Insurance Corporation ("MGIC") and several other subsidiaries, is principally engaged in the mortgage insurance business. We provide mortgage insurance to lenders throughout the United States and to government sponsored entities ("GSEs") to protect against loss from defaults on low down payment residential mortgage loans. In 2007, we began providing mortgage insurance to lenders in Australia. Our Australian operations are included in our consolidated financial statements; however they are not material to our consolidated results. Through certain other non-insurance subsidiaries, we also provide various services for the mortgage finance industry, such as contract underwriting and portfolio analysis and retention. Our principal product is primary mortgage insurance. Primary mortgage insurance may be written through the flow market channel, in which loans are insured in individual, loan-by-loan transactions. Primary mortgage insurance may also be written through the bulk market channel, in which portfolios of loans are individually insured in single, bulk transactions. Prior to 2008, we wrote significant volume through the bulk channel, substantially all of which was Wall Street bulk business, which we discontinued writing in 2007. We expect any future business written through the bulk channel will be insignificant to us. Prior to 2009, we also wrote pool mortgage insurance. We do not expect we will write any significant pool mortgage insurance in the future.

At December 31, 2008, our direct domestic primary insurance in force (representing the principal balance in our records of all mortgage loans that we insure) and direct domestic primary risk in force (representing the insurance in force multiplied by the insurance coverage percentage) was approximately $227.0 billion and $59.0 billion, respectively. Our direct pool risk in force at December 31, 2008 was approximately $1.9 billion. Our risk in force in Australia at December 31, 2008 was approximately $1.0 billion; this represents the risk associated with 100% coverage on the insurance in force. However the mortgage insurance we provide in Australia only covers the unpaid loan balance after the sale of the underlying property. In view of our need to dedicate capital to our domestic mortgage insurance operations, we have been exploring alternatives for our Australian activities which may include a sale of our Australian operations. As a result, we have reduced our Australian headcount and suspended writing new business in Australia. We do not expect to write new business in Australia unless required in connection with an agreed upon sale of this business.

Historically a significant portion of the mortgage insurance provided by us through the bulk channel has been used as a credit enhancement for securitizations. During the fourth quarter of 2007, the performance of loans included in Wall Street bulk transactions deteriorated materially and this deterioration was materially worse than we experienced for loans insured through the flow channel or loans insured through the remainder of our bulk channel. Therefore, during the fourth quarter of 2007, we decided to stop writing that portion of our bulk business. A Wall Street bulk transaction is any bulk transaction where we had knowledge that the loans would serve as collateral in a home equity securitization. In general, loans included in Wall Street bulk transactions had lower average FICO scores and a higher percentage of ARMs or adjustable rate mortgages, compared to our remaining business. We continue to provide mortgage insurance on bulk transactions with the GSEs or for portfolio transactions where the lender will hold the loans.

2. Basis of presentation and summary of significant accounting policies

The accompanying financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of MGIC Investment Corporation and its majority-owned subsidiaries. All intercompany transactions have been eliminated. Historically, our investments in joint ventures and related loss or income from joint ventures principally consisted of our investment and related earnings in two less than majority owned joint ventures, Credit-Based Asset Servicing and Securitization LLC (C-BASS), and Sherman Financial Group LLC (Sherman). In 2007, joint venture losses included an impairment charge equal to our entire equity interest in C-BASS, as well as equity losses incurred by C-BASS in the fourth quarter that reduced the carrying value of our $50 million note from C-BASS to zero. As a result, beginning in 2008, our joint venture income principally consisted of income from Sherman. In August of 2008, we sold our entire interest in Sherman to Sherman. We review our investments in joint ventures for evidence of “other than temporary” impairments, such as an inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment. There were no “other than temporary” equity investment impairment charges for the years ending December 31, 2008 and 2006. Our equity in the earnings of joint ventures is shown separately, net of tax, on the statement of operations. (See note 10.)

Fair Value Measurements

Effective January 1, 2008, we adopted the fair value measurement provisions of SFAS No. 157, "Fair Value Measurements." SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. This statement defines fair value, expands disclosure requirements about fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect a company's market assumptions. Fair value is used on a recurring basis for assets and liabilities in which fair value is the primary basis of accounting (i.e., available-for-sale securities). Additionally, fair value is used on a nonrecurring basis to evaluate assets or liabilities for impairment or for disclosure purposes.

Fair value is defined as the price that would be received in a sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, we use various valuation techniques and assumptions when estimating fair value. In accordance with SFAS No. 157, we applied the following fair value hierarchy in order to measure fair value for assets and liabilities:

Level 1 — Quoted prices for identical instruments in active markets that we have the ability to access. Financial assets utilizing Level 1 inputs include certain U.S. Treasury securities and obligations of the U.S. government.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and inputs, other than quoted prices, that are observable in the marketplace for the financial instrument. The observable inputs are used in valuation models to calculate the fair value of the financial instruments. Financial assets utilizing Level 2 inputs include certain municipal and corporate bonds.

Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable. Level 3 inputs reflect our own assumptions about the assumptions a market participant would use in pricing an asset or liability. Financial assets utilizing Level 3 inputs include certain state, corporate, auction rate (backed by student loans) and mortgage-backed securities. Non-financial assets which utilize Level 3 inputs include real estate acquired through claim settlement. Additionally, financial liabilities utilizing Level 3 inputs consist of derivative financial instruments.

The adoption of SFAS No. 157 resulted in no changes to January 1, 2008 retained earnings. (See note 5.)

Investments

We categorize our investment portfolio according to our ability and intent to hold the investments to maturity. Investments which we do not have the ability and intent to hold to maturity are considered to be available-for-sale and are reported at fair value and the related unrealized gains or losses are, after considering the related tax expense or benefit, recognized as a component of accumulated other comprehensive income in shareholders' equity. Our entire investment portfolio is classified as available-for-sale. Realized investment gains and losses are reported in income based upon specific identification of securities sold. (See note 4.)

We complete a quarterly review of invested assets for evidence of "other than temporary" impairments. A cost basis adjustment and realized loss will be taken on invested assets whose value decline is deemed to be "other than temporary". Factors used in determining investments whose value decline may be considered "other than temporary" include, among others, the following:

- Investments with a fair value less than 80% of amortized costs
- For fixed income and preferred stocks, declines in credit ratings to below investment grade from appropriate rating agencies
- Other securities which are under pressure due to market constraints or event risk
- Intention and ability to hold fixed income securities to recovery
- Length of time in an unrealized loss position

Fair Value Option

In conjunction with the adoption of SFAS No. 157, we have adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement provides companies with an option to report selected financial assets and liabilities at fair value on an instrument-by-instrument basis. After the initial adoption, the election to report a financial asset or liability at fair value is made at the time of acquisition and it generally may not be revoked. The objective of this statement is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The adoption of SFAS No. 159 resulted in no changes to January 1, 2008 retained earnings as we elected not to apply the fair value option to financial instruments not currently carried at fair value.

Home office and equipment

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

Home office and equipment is shown net of accumulated depreciation of $56.3 million, $51.7 million and $47.6 million at December 31, 2008, 2007 and 2006,

respectively. Depreciation expense for the years ended December 31, 2008, 2007 and 2006 was $4.5 million, $4.4 million and $4.4 million, respectively.

Deferred insurance policy acquisition costs

Costs associated with the acquisition of mortgage insurance business, consisting of employee compensation and other policy issuance and underwriting expenses, are initially deferred and reported as deferred insurance policy acquisition costs (“DAC”). For each underwriting year book of business, these costs are amortized to income in proportion to estimated gross profits over the estimated life of the policies. We utilize anticipated investment income in our calculation. This includes accruing interest on the unamortized balance of DAC. The estimates for each underwriting year are reviewed quarterly and updated when necessary to reflect actual experience and any changes to key variables such as persistency or loss development. If a premium deficiency exists, we reduce the related DAC by the amount of the deficiency or to zero through a charge to current period earnings. If the deficiency is more than the related DAC balance, we then establish a premium deficiency reserve equal to the excess, by means of a charge to current period earnings.

During 2008, 2007 and 2006, we amortized $10.0 million, $12.9 million and $14.2 million, respectively, of deferred insurance policy acquisition costs.

Loss reserves

Reserves are established for reported insurance losses and loss adjustment expenses based on when we receive notices of default on insured mortgage loans. A default is defined as an insured loan with a mortgage payment that is 45 days or more past due. Reserves are also established for estimated losses incurred on notices of default not yet reported to us. In accordance with GAAP for the mortgage insurance industry, we do not establish loss reserves for future claims on insured loans which are not currently in default. Loss reserves are established by our estimate of the number of loans in our inventory of delinquent loans that will not cure their delinquency and thus result in a claim, which is referred to as the claim rate, and further estimating the amount that we will pay in claims on the loans that do not cure, which is referred to as claim severity. Our loss estimates are established based upon historical experience. 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 us. Consistent with reserves for reported defaults, IBNR reserves are established using estimated claims rates and claims amounts for the estimated number of defaults not reported.

Reserves also provide for the estimated costs of settling claims, including legal and other expenses and general expenses of administering the claims settlement process. (See note 8.)

Premium deficiency reserves

After our loss reserves are initially established, we perform premium deficiency tests using our best estimate assumptions as of the testing date. Premium deficiency reserves are established, if necessary, when the present value of expected future losses and expenses exceeds the present value of expected future premium and already established reserves. The discount rate used in the calculation of the premium deficiency reserve was based upon our pre-tax investment yield at December 31, 2008 and 2007, respectively. Products are grouped for premium deficiency purposes based on similarities in the way the products are acquired, serviced and measured for profitability.

Calculations of premium deficiency reserves requires the use of significant judgments and estimates to determine the present value of future premium and present value of expected losses and expenses on our business. The present value of future premium relies on, among other factors, assumptions about persistency and repayment patterns on underlying loans. The present value of expected losses and expenses depends on assumptions relating to severity of claims and claim rates on current defaults, and expected defaults in future periods. Assumptions used in calculating the deficiency reserves can be affected by volatility in the current housing and mortgage lending industries and these affects could be material. To the extent premium patterns and actual loss experience differ from the assumptions used in calculating the premium deficiency reserves, the differences between the actual results and our estimate will affect future period earnings. (See note 8.)

Revenue recognition

Our 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. When a policy is cancelled, all premium that is non-refundable is immediately earned. Any refundable premium is returned to the lender and will have no effect on earned premium. Policy cancellations also lower the persistency rate which is a variable used in calculating the rate of amortization of deferred insurance policy acquisition costs.

Fee income of our non-insurance subsidiaries is earned and recognized as the services are provided and the customer is obligated to pay. Fee income consists primarily of contract underwriting and related fee-based services provided to lenders and is included in “Other revenue” on the statement of operations.

Income taxes

We file a consolidated federal income tax return with our domestic subsidiaries. Our foreign subsidiaries file separate tax returns in their respective jurisdictions. A formal tax sharing agreement exists between us and our domestic subsidiaries. Each subsidiary determines income taxes based upon the utilization of all tax deferral elections available. This assumes tax and loss bonds are purchased and held to the extent they would have been purchased and held on a separate company basis since the tax sharing agreement provides that the redemption or non-purchase of such bonds shall not increase such member’s separate taxable income and tax liability on a separate company basis.

Federal tax law permits mortgage guaranty insurance companies to deduct from taxable income, subject to certain limitations, the amounts added to contingency loss reserves, which are recorded for regulatory purposes. Generally, the amounts so deducted must be included in taxable income in the tenth subsequent year. However, to the extent incurred losses exceed 35% of net premiums earned in a calendar year, early withdrawals may be made from the contingency reserves with regulatory approval, which would lead to amounts being included in taxable income earlier than the tenth year. The deduction is allowed only to the extent that U.S. government non-interest bearing tax and loss bonds are purchased and held in an amount equal to the tax benefit attributable to such deduction. We account for these purchases as a payment of current federal income taxes.

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

We provide for uncertain tax positions and the related interest and penalties based on our assessment of whether a tax benefit is more likely than not to be sustained upon examination of taxing authorities. (See note 12.)

Benefit plans

We have a non-contributory defined benefit pension plan covering substantially all domestic employees, as well as a supplemental executive retirement plan. Retirement benefits are based on compensation and years of service. We recognize these retirement benefit costs over the period during which employees render the service that qualifies them for benefits. Our policy is to fund pension cost as required under the Employee Retirement Income Security Act of 1974.

We offer both medical and dental benefits for retired domestic employees and their spouses. Under the plan retirees pay a premium for these benefits. In October 2008 we amended our postretirement benefit plan. The amendment, which is effective January 1, 2009, terminates the benefits provided to retirees once they reach the age of 65. This amendment reduces our accumulated postretirement benefit obligation by $59.2 million as of December 31, 2008. The amendment will also reduce our net periodic benefit cost in future periods beginning with calendar year 2009. We accrue the estimated costs of retiree medical and life benefits over the period during which employees render the service that qualifies them for benefits. Historically benefits were generally funded as they were due. The cost to us has not been significant. In 2008, approximately $1.3 million benefits were paid from the fund, and approximately $0.5 million were funded by us. (See note 11.)

Reinsurance

Loss reserves and unearned premiums are reported before taking credit for amounts ceded under reinsurance treaties. Ceded loss reserves are reflected as “Reinsurance recoverable on loss reserves”. Ceded unearned premiums are reflected as “Prepaid reinsurance premiums”. We remain liable for all reinsurance ceded. (See note 9.)

Foreign Currency Translation

Assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates. Operating results are translated at average rates of exchange prevailing during the year. Unrealized gains and losses, net of deferred taxes, resulting from translation are included in accumulated other comprehensive income in stockholders’ equity. Gains and losses resulting from transactions in a foreign currency are recorded in current period net income at the rate on the transaction date.

Share-Based Compensation

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123R, “Share-Based Payment,” under the modified prospective method. This statement is a revision of SFAS No. 123, “Accounting for Stock-Based Compensation”. The fair value recognition provisions of SFAS No. 123 were voluntarily adopted by us in 2003 prospectively to all employee awards granted or modified on or after January 1, 2003. Under SFAS 123R, we are required to record compensation expense for all awards granted after the date of adoption and for all the unvested portion of previously granted awards that remained outstanding at the date of adoption. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period which generally corresponds to the vesting period. Awards under our plans generally vest over periods ranging from one to five years. (See note 13.)

Earnings per share

Our basic and diluted earnings per share (“EPS”) have been calculated in accordance with SFAS No. 128, “Earnings Per Share”. Basic EPS is based on the weighted

average number of common shares outstanding. Typically, diluted EPS is based on the weighted average number of common shares outstanding plus common stock equivalents which include stock awards, stock options and the dilutive effect of our convertible debentures. In accordance with SFAS 128, if we report a net loss from continuing operations then our diluted EPS is computed in the same manner as the basic EPS. For the years ended December 31, 2008, 2007 and 2006 our net loss (income) is the same for both basic and diluted EPS. The following is a reconciliation of the weighted average number of shares; however for the years ended December 31, 2008 and 2007 common stock equivalents of 23.1 million and 0.3 million, respectively, were not included because they were anti-dilutive. For 2008 the 23.1 million of common stock equivalents includes 22.7 million share equivalents related to our convertible debentures and 0.4 million related to restricted shares or share units. For 2007 the 0.3 million of common stock equivalents related to restricted shares or share units.

	Years Ended December 31,		
	2008	2007	2006
		(shares in thousands)	
Weighted-average shares - Basic	113,692	81,294	84,332
Common stock equivalents	—	—	618
Weighted-average shares - Diluted	113,692	81,294	84,950

For the years ended December 31, 2008 and 2007, 2.5 million shares and 2.6 million shares, respectively, attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For the year ended December 31, 2006, 1.3 million shares attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because the exercise prices of the stock options were greater than or equal to the average price of the common shares, and therefore their inclusion would have been anti-dilutive and 0.4 million shares of performance stock awards have been excluded from the calculation of diluted earnings per share because the number of shares ultimately issued is contingent on performance measures established for a specific performance period. (See note 13.)

Comprehensive income

Our total comprehensive income, as calculated per SFAS No. 130, "Reporting Comprehensive Income", was as follows:

	Years Ended December 31,		
	2008	2007	2006
	(In thousands of dollars)		
Net (loss) income	$(518,914)	$(1,670,018)	$564,739
Other comprehensive (loss) income	(177,464)	4,886	6,076
Total comprehensive (loss) income	$(696,378)	$(1,665,132)	$570,815
Other comprehensive (loss) income (net of tax):			
Change in unrealized net derivative gains and losses	$ —	$ —	$ 777
Change in unrealized gains and losses on investments	(116,939)	(17,767)	5,796
Change related to benefit plans	(44,649)	14,561	—
Unrealized foreign currency translation adjustment	(16,354)	8,456	—
Other	478	(364)	(497)
Other comprehensive (loss) income	$(177,464)	$ 4,886	$ 6,076

At December 31, 2008, accumulated other comprehensive loss of ($106.8) million included ($51.0) million of net unrealized losses on investments, ($47.9) million relating to defined benefit plans and ($7.9) million related to foreign currency translation adjustment. At December 31, 2007, accumulated other comprehensive income of $70.7 million included $65.9 million of net unrealized gains on investments, ($3.2) million relating to defined benefit plans, $8.5 million related to foreign currency translation adjustment and ($0.5) million relating to the accumulated other comprehensive loss of our joint venture investment. (See notes 4 and 11.)

Recent accounting pronouncements

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) 132R-1 which amends FASB Statement No. 132R, "Employers' Disclosures about Pensions and Other Postretirement Benefits", to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The FSP is effective for fiscal years ending after December 15, 2009. We are currently evaluating the provisions of this statement and the impact, if any, this statement will have on our disclosures.

In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active." The FSP clarifies the application of FASB Statement No. 157, "Fair Value Measurements" in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial

asset is not active. Our fair value policies are consistent with the guidance in this FSP.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." This FSP clarifies that share-based payment awards that entitle holders to receive nonforfeitable dividends before vesting should be considered participating securities. As participating securities, these instruments should be included in the calculation of basic earnings per share. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. We are currently evaluating the provisions of this FSP and do not believe it will have a material impact on our calculations of basic and diluted earnings per share.

In May 2008, the FASB issued FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis. The adoption will result in a net-of-tax increase to our shareholders' equity of approximately $63 million on January 1, 2009 and will result in a net-of-tax increase to interest expense of approximately $11 million for the year ended December 31, 2008 and $15 million annually thereafter, through April 1, 2013. These increases result from our Convertible Junior Subordinated Debentures discussed in Note 7.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the provisions of this statement and the impact, if any, this statement will have on our disclosures.

In February 2008, the FASB issued FSP FAS 157-2, "Effective date of FASB Statement No. 157". This statement defers the effective date of FAS 157 for all non-financial assets and non-financial liabilities measured on a non-recurring basis to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. We are currently evaluating the requirements of this statement and the impact, if any, this statement will have on our financial position and results of operations.

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Cash and cash equivalents

We consider cash equivalents to be money market funds and investments with original maturities of three months or less.

Reclassifications

Certain reclassifications have been made in the accompanying financial statements to 2007 and 2006 amounts to allow for consistent financial reporting.

3. Related party transactions

We provided certain services to C-BASS and Sherman in 2007 and 2006 in exchange for fees. In addition, C-BASS provided certain services to us during 2008, 2007 and 2006 in exchange for fees. The net impact of these transactions was not material to us.

4. Investments

The amortized cost, gross unrealized gains and losses and fair value of the investment portfolio at December 31, 2008 and 2007 are shown below. Debt securities consist of fixed maturities and short-term investments.

December 31, 2008:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 168,917	$ 21,297	$ (405)	$ 189,809
Obligations of U.S. states and political subdivisions	6,401,903	141,612	(237,575)	6,305,940
Corporate debt securities	314,648	6,278	(4,253)	316,673
Mortgage-backed securities	151,774	3,307	(14,251)	140,830
Debt securities issued by foreign sovereign governments	83,448	6,203	—	89,651
Total debt securities	7,120,690	178,697	(256,484)	7,042,903
Equity securities	2,778	—	(145)	2,633
Total investment portfolio	$ 7,123,468	$ 178,697	$ (256,629)	$ 7,045,536

December 31, 2007:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 128,708	$ 3,462	$ (804)	$ 131,366
Obligations of U.S. states and political subdivisions	4,958,994	132,094	(26,109)	5,064,979
Corporate debt securities	449,380	4,625	(8,206)	445,799
Mortgage-backed securities	164,974	1,118	(1,486)	164,606
Debt securities issued by foreign sovereign governments	89,506	57	(2,722)	86,841
Total debt securities	5,791,562	141,356	(39,327)	5,893,591
Equity securities	2,689	1	(48)	2,642
Total investment portfolio	$ 5,794,251	$ 141,357	$ (39,375)	$ 5,896,233

The amortized cost and fair values of debt securities at December 31, 2008, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Because most auction rate and mortgage-backed securities provide for periodic payments throughout their lives, they are listed below in separate categories.

	Amortized Cost	Fair Value
	(In thousands of dollars)	
Due in one year or less	$ 432,727	$ 435,045
Due after one year through five years	1,606,915	1,630,086
Due after five years through ten years	1,230,379	1,283,317
Due after ten years	3,174,995	3,029,725
	6,445,016	6,378,173
Auction rate securities	523,900	523,900
Mortgage-backed securities	151,774	140,830
Total at December 31, 2008	$ 7,120,690	$ 7,042,903

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At December 31, 2008 and 2007, the investment portfolio had gross unrealized losses of $256.6 million and $39.4 million, respectively. For those securities in an unrealized loss position, the length of time the securities were in such a position, as measured by their month-end fair values, is as follows:

December 31, 2008	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
	(In thousands of dollars)					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 13,106	$ 245	$ 1,242	$ 160	$ 14,348	$ 405
Obligations of U.S. states and political subdivisions	1,640,406	102,437	552,191	135,138	2,192,597	237,575
Corporate debt securities	72,711	4,127	1,677	126	74,388	4,253
Mortgage-backed securities	41,867	14,251	—	—	41,867	14,251
Debt issued by foreign sovereign governments	—	—	—	—	—	—
Equity securities	227	10	2,062	135	2,289	145
Total investment portfolio	$ 1,768,317	$ 121,070	$ 557,172	$ 135,559	$ 2,325,489	$ 256,629

December 31, 2007	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
	(In thousands of dollars)					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 14,453	$ 569	$ 24,937	$ 235	$ 39,390	$ 804
Obligations of U.S. states and political subdivisions	829,595	23,368	206,723	2,741	1,036,318	26,109
Corporate debt securities	70,347	8,197	2,701	9	73,048	8,206
Mortgage-backed securities	15,401	64	96,167	1,422	111,568	1,486
Debt issued by foreign sovereign governments	82,835	2,722	—	—	82,835	2,722
Equity securities	110	1	2,166	47	2,276	48
Total investment portfolio	$ 1,012,741	$ 34,921	$ 332,694	$ 4,454	$ 1,345,435	$ 39,375

Our investment portfolio consists primarily of tax-exempt municipal bonds. During 2008, the municipal bond market experienced historically poor performance, and resulted in approximately one-third of our securities (580 issues) being in an unrealized loss position as of December 31, 2008. The unrealized losses in all categories of our investments were primarily caused by widening spreads. Of those securities in an unrealized loss position greater than 12 months, 101 securities had

a fair value greater than 80% of amortized cost and 65 securities had a fair value less than 80% of amortized cost. We do not believe the unrealized losses are related to specific issuer defaults and because we have the ability and intent to hold those investments until a recovery of fair value, which may be maturity, we do not consider those investments to be other-than-temporarily impaired at December 31, 2008.

For the year ended December 31, 2008 we recognized "other than temporary" impairment charges of approximately $63 million on our fixed income investments, including debt instruments issued by Fannie Mae, Freddie Mac, Lehman Brothers and AIG. There were no "other than temporary" asset impairment charges on our investment portfolio for the years ending December 31, 2007 and 2006.

We held approximately $524 million in auction rate securities (ARS) backed by student loans at December 31, 2008. ARS are intended to behave like short-term debt instruments because their interest rates are reset periodically through an auction process, most commonly at intervals of 7, 28 and 35 days. The same auction process has historically provided a means by which we may rollover the investment or sell these securities at par in order to provide us with liquidity as needed. The ARS we hold are collateralized by portfolios of student loans, all of which are ultimately guaranteed by the United States Department of Education. At December 31, 2008, our ARS portfolio was 100% AAA/Aaa-rated by one or more of the following major rating agencies: Moody's, Standard & Poor's and Fitch Ratings.

In mid-February 2008, auctions began to fail due to insufficient buyers, as the amount of securities submitted for sale in auctions exceeded the aggregate amount of the bids. For each failed auction, the interest rate on the security moves to a maximum rate specified for each security, and generally resets at a level higher than specified short-term interest rate benchmarks. At December 31, 2008, our entire ARS portfolio, consisting of 47 investments in ARS, was subject to failed auctions; however, we had redeemed at par $16.7 million in ARS from the period when the auctions began to fail through the end of 2008. Subsequent to December 31, 2008, and through January 27, 2009, we redeemed an additional $2.0 million in ARS at par. To date, we have collected all interest due on our ARS and expect to continue to do so in the future.

As a result of the persistent failed auctions, and the uncertainty of when these investments could be liquidated at par, the investment principal associated with failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities, or final payments come due according to the contractual maturities of the debt issues. We believe that issuers and financial markets are exploring alternatives that may improve liquidity, although it is not yet clear when or if such efforts will be successful. We intend to hold our ARS until we can recover the full principal amount through one of the means described above, and have the ability to do so based on our other sources of liquidity.

We evaluated our entire ARS portfolio for temporary or other-than-temporary impairment at December 31, 2008. As a result of this review, we determined that the fair value of our ARS portfolio at December 31, 2008, approximates par value, and accordingly, we have not recorded any impairment. Since the estimated fair values could change significantly based on future market conditions, we will continue to assess the fair value of our ARS for substantive changes in relevant market conditions or other changes that may alter our estimates described above. We may be required to record an unrealized holding loss or an impairment charge to earnings if we determine that our investment portfolio has incurred a decline in fair value that is temporary or other-than-temporary, respectively.

Net investment income is comprised of the following:

	2008	2007	2006
		(In thousands of dollars)	
Fixed maturities	$ 287,869	$ 244,126	$ 228,805
Equity securities	2,162	391	1,598
Cash equivalents	15,487	15,900	11,535
Other	6,552	2,675	1,872
Investment income	312,070	263,092	243,810
Investment expenses	(3,553)	(3,264)	(3,189)
Net investment income	$ 308,517	$ 259,828	$ 240,621

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

	2008	2007	2006
		(In thousands of dollars)	
Net realized investment gains (losses) on investments:			
Fixed maturities	$ (76,397)	$ (18,575)	$ (5,526)
Equity securities	107	(820)	1,262
Joint ventures	61,877	162,860	—
Other	1,927	(1,270)	—
	$ (12,486)	$ 142,195	$ (4,264)
Change in net unrealized appreciation (depreciation):			
Fixed maturities	$ (179,816)	$ (26,751)	$ 8,929
Equity securities	(98)	(21)	(10)
Other	(710)	(254)	—
	$ (180,624)	$ (27,026)	$ 8,919

The reclassification adjustment relating to the change in investment gains and losses is as follows:

	2008	2007	2006
		(In thousands of dollars)	
Unrealized holding (losses) gains arising during the period, net of tax	$ (75,464)	$ (4,633)	$ 8,833
Less: reclassification adjustment for net gains included in net income, net of tax	(41,475)	(13,134)	(3,037)
Change in unrealized investment gains and losses, net of tax	$ (116,939)	$ (17,767)	$ 5,796

The gross realized gains and the gross realized losses on securities were $22.5 million and $96.9 million, respectively, in 2008, $7.1 million and $27.8 million, respectively, in 2007 and $2.9 million and $7.2 million, respectively, in 2006.

The tax (benefit) expense related to the changes in net unrealized (depreciation) appreciation was ($63.7) million, ($9.3) million and $3.1 million for 2008, 2007 and 2006, respectively.

We had $22.9 million and $21.5 million of investments on deposit with various states at December 31, 2008 and 2007, respectively, due to regulatory requirements of those state insurance departments.

5. Fair value measurements

As discussed in Note 2, we adopted SFAS No. 157 and SFAS No. 159 effective January 1, 2008. Both standards address aspects of the expanding application of fair-value accounting. SFAS No. 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements regarding fair-value measurements. SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value with changes in fair value reported in earnings. The option to account for selected financial assets and liabilities at fair value is made on an instrument-by-instrument basis at the time of acquisition. For the year ended December 31, 2008, we did not elect the fair value option for any financial instruments acquired for which the primary basis of accounting is not fair value.

In accordance with SFAS No. 157, we applied the following fair value hierarchy in order to measure fair value for assets and liabilities:

Level 1 — Quoted prices for identical instruments in active markets that we have the ability to access. Financial assets utilizing Level 1 inputs include certain U.S. Treasury securities and obligations of the U.S. government.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and inputs, other than quoted prices, that are observable in the marketplace for the financial instrument. The observable inputs are used in valuation models to calculate the fair value of the financial instruments. Financial assets utilizing Level 2 inputs include certain municipal and corporate bonds.

Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable. Level 3 inputs reflect our own assumptions about the assumptions a market participant would use in pricing an asset or liability. Financial assets utilizing Level 3 inputs include certain state, corporate, auction rate (backed by student loans) and mortgage-backed securities. Non-financial assets which utilize Level 3 inputs include real estate acquired through claim settlement. Additionally, financial liabilities utilizing Level 3 inputs consisted of derivative financial instruments.

To determine the fair value of securities available-for-sale in Level 1 and Level 2 of the fair value hierarchy a variety of inputs are utilized including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications. Inputs may be weighted differently for any security, and not all inputs are used for each security evaluation. Market indicators, industry and economic

events are also considered. This information is evaluated using a multidimensional pricing model. Quality controls are performed throughout this process which includes reviewing tolerance reports, trading information and data changes, and directional moves compared to market moves. This model combines all inputs to arrive at a value assigned to each security.

The values generated by this model are also reviewed for reasonableness and, in some cases, further analyzed for accuracy, which includes the review of other publicly available information. Securities whose fair value is primarily based on the use of our multidimensional pricing model are classified in Level 2 and include certain municipal and corporate bonds.

Assets and liabilities classified as Level 3 are as follows:

- Securities available-for-sale classified in Level 3 are not readily marketable and are valued using internally developed models based on the present value of expected cash flows. Our Level 3 securities primarily consist of auction rate securities. Our investments in auction rate securities were classified as Level 3 beginning in the fourth quarter of 2008 as quoted prices were unavailable due to events described in Note 4 and as there became increased doubt as to the liquidity of the securities. In particular, announced settlements in the fourth quarter of 2008 specified that re-marketers of the ARS provide liquidity to retail investors prior to providing liquidity to institutional investors and we did not observe a majority of issuers replacing these securities with another form of financing. Due to limited market information, we utilized a discounted cash flow ("DCF") model to derive an estimate of fair value at December 31, 2008. The assumptions used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, the probability of full repayment of the principal considering the credit quality and guarantees in place, and the rate of return required by investors to own such securities given the current liquidity risk associated with auction rate securities. The DCF model is based on the following key assumptions.

    - Nominal credit risk as securities are ultimately guaranteed by the United States Department of Education
    - 5 years to liquidity
    - Continued receipt of contractual interest; and
    - Discount rates incorporating a 1.50% spread for liquidity risk

  The remainder of our level 3 securities are valued based on the present value of expected cash flows utilizing data provided by the trustees.

- Real estate acquired through claim settlement is fair valued at the lower of our acquisition cost or a percentage of appraised value. The percentage applied to appraised value is based upon our historical sales experience adjusted for current trends.

- As discussed in Note 7 the derivative related to the outstanding debentures was valued using the Black-Scholes model. Remaining derivatives were valued

internally, based on the present value of expected cash flows utilizing data provided by the trustees.

Fair value measurements for items measured at fair value included the following as of December 31, 2008 (in thousands of dollars):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities available-for-sale	$7,045,536	$281,248	$6,218,338	$545,950
Real estate acquired (1)	32,858	—	—	32,858
Liabilities				
Other liabilities (derivatives)	$ —	$ —	$ —	$ —

(1) Real estate acquired through claim settlement, which is held for sale, is reported in Other Assets on the consolidated balance sheet.

For assets and liabilities measured at fair value using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances for the year ended December 31, 2008 is as follows (in thousands of dollars):

	Securities Available-for-Sale	Real Estate Acquired	Other Liabilities
Balance at January 1, 2008	$ 37,195	$145,198	$(12,132)
Total realized/unrealized gains (losses):			
Included in earnings and reported as realized investment gains (losses), net	(20,226)	—	—
Included in earnings and reported as other revenue	—	—	(6,823)
Included in earnings and reported as losses incurred, net	—	(19,126)	—
Included in other comprehensive income	2,455	—	—
Purchases, issuances and settlements	2,626	(93,214)	18,955
Transfers in/and or out of Level 3	523,900	—	—
Balance at December 31, 2008	$545,950	$ 32,858	$ —
Amount of total gains (losses) included in earnings for the year ended December 31, 2008 attributable to the change in unrealized gains (losses) on assets (liabilities) still held at December 31, 2008	$ (16,838)	$ (8,011)	$ —

Additional fair value disclosures related to our investment portfolio are included in Note 4. Fair value disclosures related to our debt are included in Notes 6 and 7.

6. Short- and long-term debt, excluding convertible debentures discussed in Note 7.

We have a $300 million bank revolving credit facility, expiring in March 2010 that was amended most recently in June 2008. In 2007, we drew the entire amount available under this facility. In July 2008, we repaid $100 million borrowed under this facility. The amount that we repaid remains available for re-borrowing pursuant to the terms of our credit agreement. At December 31, 2008 and 2007, $200 million and $300 million, respectively, was outstanding under this facility.

The credit facility requires us to maintain Consolidated Net Worth of no less than $2.00 billion at all times. However, if as of June 30, 2009, Consolidated Net Worth equals or exceeds $2.75 billion, then the minimum Consolidated Net Worth under the facility will be increased to $2.25 billion at all times from and after June 30, 2009. Consolidated Net Worth is generally defined in our credit agreement as the sum of our

consolidated shareholders' equity plus the aggregate outstanding principal amount of our 9% Convertible Junior Subordinated Debentures due 2063, currently $390 million. The credit facility also requires Mortgage Guaranty Insurance Corporation ("MGIC") to maintain a statutory risk-to-capital ratio of not more than 22:1 and maintain policyholders' position (which includes MGIC's statutory surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulations ("MPP"). At December 31, 2008, these requirements were met. Our Consolidated Net Worth at December 31, 2008 was approximately $2.7 billion. At December 31, 2008 MGIC's risk-to-capital was 12.9:1 and MGIC exceeded MPP by more than $1.5 billion. (See note 13 — "Statutory Capital".)

At December 31, 2008 and 2007 we had $200 million, 5.625% Senior Notes due in September 2011 and $300 million, 5.375% Senior Notes due in November 2015. Covenants in the Senior Notes include the requirement that there be no liens on the stock of the designated subsidiaries unless the Senior Notes are equally and ratably secured; that there be no disposition of the stock of designated subsidiaries unless all of the stock is disposed of for consideration equal to the fair market value of the stock; and that we and the designated subsidiaries preserve our corporate existence, rights and franchises unless we or such subsidiary determines that such preservation is no longer necessary in the conduct of its business and that the loss thereof is not disadvantageous to the Senior Notes. A designated subsidiary is any of our consolidated subsidiaries which has shareholder's equity of at least 15% of our consolidated shareholders equity.

The credit facility is filed as an exhibit to our March 31, 2005 Quarterly Report on Form 10-Q and the Indenture governing the Senior Notes is filed as an exhibit to our Current Report on Form 8-K filed on October 19, 2000. Amendments to our credit facility were filed as exhibits to our December 31, 2007 10-K/A and to our Current Report on Form 8-K filed on June 25, 2008. At December 31, 2008 and 2007, the fair value of the amount outstanding under the credit facility and Senior Notes was $538.3 million and $772.0 million, respectively. The fair value of our credit facility was approximated at par and the fair value of our Senior Notes was determined using publicly available trade information.

Interest payments on all long-term and short-term debt, excluding convertible debentures, were $40.7 million, $42.6 million and $36.5 million for the years ended December 31, 2008, 2007 and 2006, respectively.

If (i) we fail to maintain any of the requirements under the credit facility discussed above, (ii) we fail to make a payment of principal when due under the credit facility or a payment of interest within five days after due under the credit facility or (iii) our payment obligations under our Senior Notes are declared due and payable (including for one of the reasons noted in the following paragraph) and we are not successful in obtaining an agreement from banks holding a majority of the debt outstanding under the facility to change (or waive) the applicable requirement, then banks holding a majority of the debt outstanding under the facility would have the right to declare the entire amount of the outstanding debt due and payable.

If (i) we fail to meet any of the covenants of the Senior Notes discussed above, (ii) we fail to make a payment of principal of the Senior Notes when due or a payment of interest on the Senior Notes within thirty days after due or (iii) the debt under our bank facility is declared due and payable (including for one of the reasons noted in the previous paragraph) and we are not successful in obtaining an agreement from holders of a majority of the applicable series of Senior Notes to change (or waive) the applicable requirement or payment default, then the holders of 25% or more of either series of our Senior Notes each would have the right to accelerate the maturity of that debt. In addition, the Trustee of these two issues of Senior Notes, which is also a lender under our bank credit facility, could, independent of any action by holders of Senior Notes, accelerate the maturity of the Senior Notes.

7. Convertible debentures and related derivatives

In March 2008 we completed the sale of $365 million principal amount of 9% Convertible Junior Subordinated Debentures due in 2063. The debentures have an effective interest rate of 19% after consideration of the value associated with the convertible feature. In April 2008, the initial purchasers exercised an option to purchase an additional $25 million aggregate principal amount of these debentures. The debentures were sold in private placements to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. Interest on the debentures is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2008. As long as no event of default with respect to the debentures has occurred and is continuing, we may defer interest, under an optional deferral provision, for one or more consecutive interest periods up to ten years without giving rise to an event of default. Deferred interest will accrue additional interest at the rate then applicable to the debentures. Violations of the covenants under the Indenture governing the debentures, including covenants to provide certain documents to the trustee, are not events of default under the Indenture and would not allow the acceleration of amounts that we owe under the debentures. Similarly, events of default under, or acceleration of, any of our other obligations, including those described in Note 6 would not allow the acceleration of amounts that we owe under the debentures. However, violations of the events of default under the Indenture, including a failure to pay principal when due under the debentures and certain events of bankruptcy, insolvency or receivership involving our holding company would allow acceleration of amounts that we owe under the debentures.

The debentures rank junior to all of our existing and future senior indebtedness. The net proceeds of the debentures were approximately $377 million. A portion of the net proceeds of the debentures and a concurrent offering of common stock (see Note 13) was used to increase the capital of MGIC, our principal insurance subsidiary, in order to enable us to expand the volume of our new insurance written, and a portion is available for our general corporate purposes. Debt issuance costs are being amortized over the expected life of five years to interest expense.

We may redeem the debentures prior to April 6, 2013, in whole but not in part, only in the event of a specified tax or rating agency event, as defined in the Indenture.

In any such event, the redemption price will be equal to the greater of (1) 100% of the principal amount of the debentures being redeemed and (2) the applicable make-whole amount, as defined in the Indenture, in each case plus any accrued but unpaid interest. On or after April 6, 2013, we may redeem the debentures in whole or in part from time to time, at our option, at a redemption price equal to 100% of the principal amount of the debentures being redeemed plus any accrued and unpaid interest if the closing sale price of our common stock exceeds 130% of the then prevailing conversion price of the debentures for at least 20 of the 30 trading days preceding notice of the redemption. We will not be able to redeem the debentures, other than in the event of a specified tax event or rating agency event, during an optional deferral period.

Interest payments on the convertible debentures were $17.8 million for the year ended December 31, 2008

The debentures are currently convertible, at the holder's option, at an initial conversion rate, which is subject to adjustment, of 74.0741 common shares per $1,000 principal amount of debentures at any time prior to the maturity date. This represents an initial conversion price of approximately $13.50 per share. The initial conversion price represents a 20% conversion premium based on the $11.25 per share price to the public in our concurrent common stock offering. (See Note 13.)

In lieu of issuing shares of common stock upon conversion of the debentures occurring after April 6, 2013, we may, at our option, make a cash payment to converting holders equal to the value of all or some of the shares of our common stock otherwise issuable upon conversion.

Our common stock is listed on the New York Stock Exchange, or NYSE. One of the NYSE's rules limits the number of shares of our common stock that the convertible debentures may be converted into to less than 20% of the number of shares outstanding immediately before the issuance of the convertible debentures unless shareholders approve the issuance of the shares that would exceed the limit. We closed a sale of our common stock immediately prior to the sale of the convertible debentures, which resulted in approximately 124.9 million shares of our common stock outstanding prior to the debentures being issued. At the initial conversion rate the outstanding debentures are convertible into approximately 23.1% of our common stock outstanding, 3.9 million shares above the NYSE limit. At a special shareholders' meeting held in June 2008, we received shareholder approval on the issuance of shares of our common stock sufficient to convert all of the convertible debentures.

At issuance approximately $52.8 million in face value of the convertible debentures could not be settled in our common shares without prior shareholder approval and thus required bifurcation of the embedded derivative related to those convertible debentures. The derivative value of $16.9 million was determined using the Black-Scholes model, and is treated as a discount on issuance of the convertible debentures and amortized over the expected life of five years to interest expense. Prior to shareholder approval, changes in the fair value of the derivative were reflected in our results of operations. Since the changes in fair value corresponded

to changes in our stock price, a decrease in our stock price resulted in a decrease in the derivative liability. On the date of shareholder approval, June 27, 2008, the value of the derivative had decreased to $5.9 million. On this date the amount was re-classified from a liability to shareholders' equity on the consolidated balance sheet, and subsequent changes in the fair value of the derivative will not be reflected on our financial statements. The change in fair value of the derivative from issuance to shareholder approval of approximately $11.0 million is included in other revenue on our statement of operations for the year ended December 31, 2008.

The Indenture governing the Convertible Debentures is filed as an exhibit to our March 31, 2008 Quarterly Report on Form 10-Q. The fair value of the convertible debentures was approximately $145.7 million at December 31, 2008, as determined using available pricing for these debentures or similar instruments.

8. Loss reserves and premium deficiency reserves

Loss reserves

As described in Note 2, we establish reserves to recognize the estimated liability for losses and loss adjustment expenses related to defaults on insured mortgage loans. Loss reserves are established by our estimate of the number of loans in our inventory of delinquent loans that will not cure their delinquency and thus result in a claim, which is referred to as the claim rate, and further estimating the amount that we will pay in claims on the loans that do not cure, which is referred to as claim severity. Estimation of losses that we 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. Current conditions in the housing and mortgage industries make these assumptions more volatile than they would otherwise be. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values that could materially reduce our ability to mitigate potential losses through property acquisition and resale or expose us to greater losses on resale of properties obtained through the claim settlement process. Changes to our estimates could result in a material impact to our results of operations, even in a stable economic environment.

Our estimates could also be positively affected by government efforts to assist current borrowers in refinancing to new loan instruments, assisting delinquent borrowers and lenders in modifying their mortgage notes into something more affordable, and forestalling foreclosures. In addition private company efforts may have a positive impact on our loss development. However, all of these efforts are in their early stages and therefore we are unsure of their magnitude or the benefit to us or our industry, and as a result are not factored into our current reserving.

Our estimates could also be positively affected by the extent of fraud that we uncover in the loans we have insured; higher rates of fraud should lead to higher rates of rescissions, although the relationship may not be linear. Rescissions and denials totaled $85 million in the fourth quarter of 2008 and $171 million for the year ending December 31, 2008. Rescissions and denials totaled only $7 million in the fourth quarter of 2007 and totaled only $28 million for the year ended December 31, 2007.

The following table provides a reconciliation of beginning and ending loss reserves for each of the past three years:

	2008	2007	2006
		(In thousands of dollars)	
Reserve at beginning of year	$2,642,479	$1,125,715	$1,124,454
Less reinsurance recoverable	35,244	13,417	14,787
Net reserve at beginning of year	2,607,235	1,112,298	1,109,667
Losses incurred:			
Losses and LAE incurred in respect of default notices received in:			
Current year	2,684,397	1,846,473	703,714
Prior years (1)	387,104	518,950	(90,079)
Subtotal	3,071,501	2,365,423	613,635
Losses paid:			
Losses and LAE paid in respect of default notices received in:			
Current year	68,397	51,535	27,114
Prior years	1,332,579	818,951	583,890
Reinsurance terminations (2)	(264,804)	—	—
Subtotal	1,136,172	870,486	611,004
Net reserve at end of year	4,542,564	2,607,235	1,112,298
Plus reinsurance recoverables	232,988	35,244	13,417
Reserve at end of year	$4,775,552	$2,642,479	$1,125,715

(1) A negative number for prior year losses incurred indicates a redundancy of prior year loss reserves, and a positive number for prior year losses incurred indicates a deficiency of prior year loss reserves.

(2) In a termination, the reinsurance agreement is cancelled, with no future premium ceded and funds for any incurred but unpaid losses transferred to us. The transferred funds result in an increase in our investment portfolio (including cash and cash equivalents) and there is a corresponding decrease in reinsurance recoverable on loss reserves, which is offset by a decrease in net losses paid. (See note 9.)

The top portion of the table above shows losses incurred on default notices received in the current year and in prior years, respectively. The amount of losses incurred relating to default notices received in the current year represents the estimated amount to be ultimately paid on such default notices. The amount of losses incurred relating to default notices received in prior years represents actual claim payments that were higher or lower than what we estimated at the end of the prior year, as well as a re-estimation of amounts to be ultimately paid on defaults remaining in inventory from the end of the prior year. This re-estimation is the result of our review of current trends in default inventory, such as percentages of defaults that have resulted in a claim, the amount of the claims, changes in the relative level of defaults by geography and changes in average loan exposure.

Current year losses incurred significantly increased in 2008 compared to 2007 primarily due to significant increases in the default inventory, offset by a smaller increase in estimated severity and a slight decrease in the estimated claim rate. The continued increase in estimated severity was primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as our inability to mitigate losses through the sale of properties due to home price declines. The increase was less substantial than the increase experienced during 2007. The slight decrease in estimated claim rate for the year was in part due to an increase in our mitigation efforts, including rescissions and denials for misrepresentation, ineligibility and policy exclusions. This decrease in estimated claim rate is based on recent historical experience and does not take into account any potential benefits of third party and governmental mitigation programs that are in their early stages for which we have no data on historical performance. Current year losses incurred significantly increased in 2007 compared to 2006 primarily due to significant increases in the default inventory and estimated severity and claim rate, when each are compared to the same period in 2006. The primary insurance notice inventory increased from 107,120 at December 31, 2007 to 182,188 at December 31, 2008. The primary insurance notice inventory was 78,628 at December 31, 2006. Pool insurance notice inventory increased from 25,224 at December 31, 2007 to 33,884 at December 31, 2008. The pool insurance notice inventory was 20,458 at December 31, 2006. The average primary claim paid for 2008 was $52,239, compared to $37,165 in 2007 and $28,228 in 2006.

The development of the reserves in 2008, 2007 and 2006 is reflected in the prior year line. The $387.1 million increase in losses incurred in 2008 related to prior years was primarily related to the significant increase in severity during the year, as compared to our estimates when originally establishing the reserves at December 31, 2007. The increase in losses incurred in 2008 related to prior years is also a result of more defaults remaining in inventory at December 31, 2008 from a year prior. These defaults have a higher estimated claim rate when compared to a year prior. The $518.9 million increase in losses incurred in 2007 related to prior years was due primarily to the significant increases in severity and the significant deterioration in cure rates experienced during the year, as compared to our estimates when originally establishing the reserves at December 31, 2006. The $90.1 million reduction in losses incurred related to prior years in 2006 was due primarily to more favorable loss trends

experienced during that year, when compared to our estimates when originally establishing the reserves at December 31, 2005.

The lower portion of the table above shows the breakdown between claims paid on default notices received in the current year and default notices received in prior years. Since historically it has taken, on average, about twelve months for a default which is not cured to develop into a paid claim, most losses paid relate to default notices received in prior years. Due to a combination of reasons that have slowed the rate at which claims are received and paid, including foreclosure moratoriums, servicing delays, court delays, loan modifications, our fraud investigations and our claim rescissions and denials for misrepresentation there is increased uncertainty regarding how long it may take for current and future defaults that do not cure to develop into a paid claim. The lower portion of the table also includes a decrease in losses paid related to terminated reinsurance agreements as noted in footnote (2) of the table above.

Information about the composition of the primary insurance default inventory at December 31, 2008 and 2007 appears in the table below.

	December 31, 2008	December 31, 2007
Total loans delinquent	182,188	107,120
Percentage of loans delinquent (default rate)	12.37%	7.45%
Prime loans delinquent*	95,672	49,333
Percentage of prime loans delinquent (default rate)	7.90%	4.33%
A-minus loans delinquent*	31,907	22,863
Percent of A-minus loans delinquent (default rate)	30.19%	19.20%
Subprime credit loans delinquent*	13,300	12,915
Percentage of subprime credit loans delinquent (default rate)	43.30%	34.08%
Reduced documentation loans delinquent**	41,309	22,009
Percentage of reduced documentation loans delinquent (default rate)	32.88%	15.48%

* We define prime loans as those having FICO credit scores of 620 or greater, A-minus loans as those having FICO credit scores of 575-619, and subprime credit loans as those having FICO credit scores of less than 575, all as reported to us at the time a commitment to insure is issued. Most A-minus and subprime credit loans were written through the bulk channel. However, we classify all loans without complete documentation as “reduced documentation” loans regardless of FICO score rather than as a prime, “A-minus” or “subprime” loan.

** In accordance with industry practice, loans approved by GSE and other automated underwriting (AU) systems under “doc waiver” programs that do not require verification of borrower income are classified by MGIC as “full documentation.” Based in part on information provided by the GSEs, we estimate full documentation loans of this type were approximately 4% of 2007 NIW. Information

for other periods is not available. We understand these AU systems grant such doc waivers for loans they judge to have higher credit quality. We also understand that the GSEs terminated their “doc waiver” programs, with respect to new commitments, in the second half of 2008.

Premium deficiency reserves

Historically all of our insurance risks were included in a single grouping and the calculations to determine if a premium deficiency existed were performed on our entire in force book. As of September 30, 2007, based on these calculations there was no premium deficiency on our total in force book. During the fourth quarter of 2007, we experienced significant increases in our default inventory, and severities and claim rates on loans in default. We further examined the performance of our in force book and determined that the performance of loans included in Wall Street bulk transactions was significantly worse than we experienced for loans insured through the flow channel or loans insured through the remainder of our bulk channel. As a result we began separately measuring the performance of Wall Street bulk transactions and decided to stop writing this business. Consequently, as of December 31, 2007, we performed separate premium deficiency calculations on the Wall Street bulk transactions and on the remainder of our in force book to determine if premium deficiencies existed. As a result of those calculations, we recorded premium deficiency reserves of $1,211 million in the fourth quarter of 2007 to reflect the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves on the Wall Street bulk transactions. The discount rate used in the calculation of the premium deficiency reserve, 4.70%, was based upon our pre-tax investment yield at December 31, 2007. As of December 31, 2007 there was no premium deficiency related to the remainder of our in force business.

During 2008 the premium deficiency reserve on Wall Street bulk transactions declined by $757 million from $1,211 million, as of December 31, 2007, to $454 million as of December 31, 2008. The $454 million premium deficiency reserve as of December 31, 2008 reflects the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves. The discount rate used in the calculation of the premium deficiency reserve at December 31, 2008 was 4.0%.

The components of the premium deficiency reserve at December 31, 2008 and 2007 appears in the table below.

	December 31, 2008	December 31, 2007
	($ millions)	
Present value of expected future premium	$ 712	$ 901
Present value of expected future paid losses and expenses	(3,063)	(3,561)
Net present value of future cash flows	(2,351)	(2,660)
Established loss reserves	1,897	1,449
Net deficiency	$ (454)	$ (1,211)

Each quarter, we re-estimate the premium deficiency reserve on the remaining Wall Street bulk insurance in force. The premium deficiency reserve primarily changes from quarter to quarter as a result of two factors. First, it changes as the actual premiums, losses and expenses that were previously estimated are recognized. Each period such items are reflected in our financial statements as earned premium, losses incurred and expenses. The difference between the amount and timing of actual earned premiums, losses incurred and expenses and our previous estimates used to establish the premium deficiency reserves has an effect (either positive or negative) on that period's results. Second, the premium deficiency reserve changes as our assumptions relating to the present value of expected future premiums, losses and expenses on the remaining Wall Street bulk insurance in force change. Changes to these assumptions also have an effect on that period's results. The decrease in the premium deficiency reserve for the year ended December 31, 2008 was $757 million, as shown in the chart below, which represents the net result of actual premiums, losses and expenses offset by $134 million change in assumptions primarily related to higher estimated ultimate losses.

		($ in millions)
Premium Deficiency Reserve at December 31, 2007		$ (1,211)
Paid claims and LAE	770	
Increase in loss reserves	448	
Premium earned	(234)	
Effects of present valuing on future premiums, losses and expenses	(93)	
Change in premium deficiency reserve to reflect actual premium, losses and expenses recognized		891
Change in premium deficiency reserve to reflect change in assumptions relating to premiums, losses, expenses and discount rate (1)		(134)
Premium Deficiency Reserve at December 31, 2008		$ (454)

(1) A negative number for changes in assumptions relating to premiums, losses, expenses and discount rate indicates a deficiency of prior premium deficiency reserves.

At the end of 2008 we performed a premium deficiency analysis on the portion of our book of business not covered by the premium deficiency described above. That analysis concluded that, as of December 31, 2008, there was no premium deficiency on such portion of our book of business. For the reasons discussed below, our analysis of any potential deficiency reserve is subject to inherent uncertainty and requires significant judgment by management. To the extent, in a future period, expected losses are higher or expected premiums are lower than the assumptions we used in our analysis, we could be required to record a premium deficiency reserve on this portion of our book of business in such period.

The calculation of premium deficiency reserves requires the use of significant judgments and estimates to determine the present value of future premium and present value of expected losses and expenses on our business. The present value of future premium relies on, among other things, assumptions about persistency and repayment patterns on underlying loans. The present value of expected losses and expenses depends on assumptions relating to severity of claims and claim rates on current defaults, and expected defaults in future periods. Similar to our loss reserve estimates, our estimates for premium deficiency reserves could be adversely affected by several factors, including a deterioration of regional or economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values that could expose us to greater losses. Assumptions used in calculating the deficiency reserves can also be affected by volatility in the current housing and mortgage lending industries. To the extent premium patterns and actual loss experience differ from the assumptions used in calculating the premium deficiency reserves, the differences between the actual results and our estimates will affect future period earnings and could be material.

9. Reinsurance

We cede a portion of our business to reinsurers and record assets for reinsurance recoverable on loss reserves and prepaid reinsurance premiums. We cede primary business to reinsurance subsidiaries of certain mortgage lenders ("captives"). The majority of ceded premiums relates to these agreements. Historically, most of these reinsurance arrangements are aggregate excess of loss reinsurance agreements, and the remainder have been quota share agreements. Under the aggregate excess of loss agreements, we are responsible for the first aggregate layer of loss (typically 4% or 5%), the captives are responsible for the second aggregate layer of loss (typically 5% or 10%) and we are responsible for any remaining loss. The layers are typically expressed as a percentage of the original risk on an annual book of business reinsured by the captive. The premium cessions on these agreements typically range from 25% to 40% of the direct premium. Under a quota share arrangement premiums and losses are shared on a pro-rata basis between us and the captives, with the captives' portion of both premiums and losses typically ranging from 25% to 50%. Beginning June 1, 2008 our captive arrangements, both aggregate excess of loss and quota share, are limited to a 25% cede rate.

Under these agreements the captives are required to maintain a separate trust account, of which we are the sole beneficiary. Premiums ceded to a captive are deposited into the applicable trust account to support the captive's layer of insured risk. These amounts are held in the trust account and are available to pay reinsured losses. The captive's ultimate liability is limited to the assets in the trust account. When specific time periods are met and the individual trust account balance has reached a required level, then the individual captive may make authorized withdrawals from its applicable trust account. In most cases, the captives are also allowed to withdraw funds from the trust account to pay verifiable federal income taxes and operational expenses. Conversely, if the account balance falls below certain thresholds, the individual captive may be required to contribute funds to the trust account. However, in most cases, our sole remedy if a captive does not contribute such funds is to put the captive into run-off (in a run-off, no new loans are reinsured by the captive but loans previously reinsured continue to be covered, with premium and losses continuing to be ceded on those loans). In the event that the captives' incurred but unpaid losses exceed the funds in the trust account, and the captive does not deposit adequate funds, we may also be allowed to terminate the captive agreement, assume the captives' obligations, transfer the assets in the trust accounts to us, and retain all future premium payments. We intend to exercise this additional remedy when it is available to us. The total fair value of the trust fund assets under these agreements at December 31, 2008 approximated $582 million. During 2008, $265 million of trust fund assets were transferred to us as a result of captive terminations. There were no material captive terminations in 2007. The transferred funds resulted in an increase in our investment portfolio (including cash and cash equivalents) and there was a corresponding decrease in our reinsurance recoverable on loss reserves, which is offset by a decrease in our net losses paid.

Effective January 1, 2009 we are no longer ceding new business under excess of loss reinsurance treaties with lender captive reinsurers. Loans reinsured through December 31, 2008 will run off pursuant to the terms of the particular captive arrangement. New business will continue to be ceded under quota share reinsurance arrangements. During 2008, many of our captive arrangements have either been terminated or placed into run-off.

Since 2005, we have entered into three separate aggregate excess of loss reinsurance agreements under which we ceded approximately $130 million of risk in force in the aggregate to three special purpose reinsurance companies. In 2008, we terminated one of these excess of loss reinsurance agreements. The remaining amount of ceded risk in force at December 31, 2008 was approximately $50.6 million. Additionally, certain pool polices written by us have been reinsured with one domestic reinsurer. We receive a ceding commission under certain reinsurance agreements.

Generally, reinsurance recoverables on primary loss reserves and prepaid reinsurance premiums are supported by trust funds or letters of credit. As such we have not established an allowance against these recoverables.

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

	2008	2007	2006
		(In thousands of dollars)	
Premiums earned:			
Direct	$ 1,601,610	$ 1,430,964	$ 1,327,270
Assumed	3,588	3,220	2,049
Ceded	(212,018)	(171,794)	(141,910)
Net premiums earned	$ 1,393,180	$ 1,262,390	$ 1,187,409
Losses incurred:			
Direct	$ 3,553,029	$ 2,399,233	$ 621,298
Assumed	1,456	517	203
Ceded	(482,984)	(34,327)	(7,866)
Net losses incurred	$ 3,071,501	$ 2,365,423	$ 613,635

In June 2008 we entered into a reinsurance agreement with an affiliate of HCC Insurance Holdings, Inc. (“HCC”). The reinsurance agreement is effective on the risk associated with up to $50 billion of qualifying new insurance written each calendar year. The term of the reinsurance agreement began April 1, 2008 and ends on December 31, 2010, subject to two one-year extensions that may be exercised by HCC.

The reinsurance agreement is expected to provide additional claims-paying resources when loss ratios exceed 100% for new insurance written beginning April 1, 2008.

The agreement is accounted for under deposit accounting rather than reinsurance accounting, because under the guidance of SFAS 113 “Accounting for Reinsurance Contracts”, we concluded that the reinsurance agreement does not result in the reasonable possibility that the reinsurer will suffer a significant loss.

When our financial strength rating as determined by two rating agencies is in the “A” category or higher the agreement provides for a 20% quota share agreement, but allows us to retain 80% of the ceded premium (“profit commission”). The profit commission is used to cover losses that otherwise would be ceded to the reinsurer until the profit commission is exhausted. The premium ceded to the reinsurer and the brokerage commission paid to an affiliate of the reinsurer, net of a profit commission retained by us, is recorded as reinsurance fee expense on our statement of operations. In loss environments where loss ratios are less than 80% for the insurance covered by this agreement, we expect the net expense will be approximately 5% of net premiums earned on business covered by the agreement. Under the terms of the agreement, if our financial strength rating as determined by two rating agencies falls below the “A” category, we are no longer entitled to the profit commission and our net expense will increase to reflect we no longer receive this profit commission, but will be partially offset by an increase of reinsured losses. In February 2009, Moody’s Investors Service reduced MGIC’s financial strength rating to Ba2 with a developing outlook. The financial strength of MGIC is rated A-, with a negative outlook, by both Standard and Poor’s Rating Services and Fitch Ratings. The reinsurance fee for the year ended December 31, 2008 was approximately $1.8 million.

10. Investments in joint ventures

C-BASS

C-BASS, a limited liability company, is an unconsolidated, less than 50%-owned investment of ours that is not controlled by us. Historically, C-BASS was principally engaged in the business of investing in the credit risk of subprime single-family residential mortgages. In 2007, C-BASS ceased its operations and is managing its portfolio pursuant to a consensual, non-bankruptcy restructuring, under which its assets are to be paid out over time to its secured and unsecured creditors. As discussed below, in the third quarter of 2007, we concluded that our total equity interest in C-BASS was impaired. In addition, during the fourth quarter of 2007 due to additional losses incurred by C-BASS, we reduced the carrying value of our $50 million note from C-BASS to zero under equity method accounting. At December 31, 2008 our current book value of C-BASS, including our note receivable from C-BASS, remains at zero.

Beginning in February 2007 and continuing through approximately the end of March 2007, the subprime mortgage market experienced significant turmoil. After a period of relative stability that persisted during April, May and through approximately late June, market dislocations recurred and then accelerated to unprecedented levels beginning in approximately mid-July 2007. As a result of margin calls from lenders that C-BASS was not able to meet, C-BASS’s purchases of mortgages and mortgage securities and its securitization activities ceased.

On July 30, 2007, we announced that we had concluded that the value of our investment in C-BASS had been materially impaired and that the amount of the impairment could be our entire investment. In connection with the determination of our results of operations for the quarter ended September 30, 2007, we wrote down our entire equity investment in C-BASS through an impairment charge of $466 million. This impairment charge is reflected in our results of operations for year ended December 31, 2007.

We measured the value of our investment based upon the potential market for the equity interest in C-BASS and expected future cash flows of C-BASS, including a consensual, non-bankruptcy restructuring, which, subsequently occurred on November 16, 2007 through an override agreement with C-BASS's creditors. The override agreement provides that C-BASS's assets are to be paid out over time to its secured and unsecured creditors. The information used in our valuation was provided by C-BASS. We believe there is a high degree of uncertainty surrounding the amounts and timing of C-BASS's cash flows and our analysis of them involved significant management judgment based upon currently available facts and circumstances, which are subject to change. The market analysis as well as our analysis of the cash flow projections reflected little or no value for our equity interest in C-BASS. Based on these analyses our entire equity interest in C-BASS was written down through an impairment charge under the guidance of APB 18 — Equity Method of Accounting.

In mid-July 2007 we lent C-BASS $50 million under an unsecured credit facility. At September 30, 2007 this note was carried at face value on our consolidated balance sheet. During the fourth quarter of 2007 C-BASS incurred additional losses that caused us to reduce the carrying value of the note to zero under equity method accounting. A third party has an option that expires in December 2014 to purchase 22.5% of C-BASS' equity from us for an exercise price of $2.5 million.

A summary C-BASS balance sheet and income statements at the date and for the periods indicated appear below.

C-BASS Summary Balance Sheet:

	December 31, 2007 (in millions of dollars)
Total assets	$5,833
Debt	$2,468
Total liabilities	$6,761
Owners' deficit	$ (928)

C-BASS Summary Income Statement:

	Year ended December 31, 2007	2006
	(In millions of dollars)	
Total net revenue	$ (1,647.8)	$ 572.9
Total expense	259.3	282.4
Net (loss) income	$ (1,907.1)	$ 290.5
Company's (loss) income from C-BASS	$ (499.6)	$ 133.7

Sherman

During the period in which we held an equity interest in Sherman, Sherman was principally engaged in the business of purchasing and collecting for its own account delinquent consumer assets which are primarily unsecured, and in originating and servicing subprime credit card receivables. The borrowings used to finance these activities are included in Sherman's balance sheet. 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 ultimate collections on these portfolios.

In August 2008 we sold our entire interest in Sherman to Sherman. Our interest sold represented approximately 24.25% of Sherman's equity. The sale price paid was $124.5 million in cash and by delivery of Sherman's unsecured promissory note in the principal amount of $85 million (the "Note"). The scheduled maturity of the Note is February 13, 2011 and it bears interest, payable monthly, at the annual rate equal to three-month LIBOR plus 500 basis points. The Note is issued under a Credit Agreement, dated August 13, 2008, between Sherman and MGIC.

At the time of sale the note had a fair value of $69.5 million (18.25% discount to par). The fair value was determined by comparing the terms of the Note to the discounts and yields on comparable bonds. The fair value was also discounted for illiquidity and lack of ratings. The discount will be amortized to interest income over the life of the Note. The gain recognized on the sale was $62.8 million, and is included in realized investment gains (losses) on the statement of operations for the year ended December 31, 2008.

As a result of the sale we are entitled to an additional cash payment if by approximately early March 2009 Sherman or certain of its management affiliates enter into a definitive agreement covering a transaction involving the sale or

purchase of interests in Sherman in which the fair value of the consideration reflects a value of Sherman over $1 billion plus an additional amount. The additional amount was $33 million if a definitive agreement had been entered into by early September 2008 and increases by $11 million for each monthly period that elapses after early September 2008 until a monthly period beginning in early February 2009, when the additional amount is $100 million. A qualifying purchase or sale transaction must close for us to be entitled to an additional payment.

In connection with the sale we waived, effective at the time at which the Note is paid in full, our right to any contingent consideration for the sale of the interests in Sherman that we sold in September 2007 to an entity owned by the management of Sherman. Under that sale, we are entitled to an additional cash payment if the purchaser's after-tax rate of return on the interests purchased exceeds a threshold that equates to an annual return of 16%.

For additional information regarding the sale of our interest please refer to our Current Report on Form 8-K filed on August 14, 2008. Our investment in Sherman on an equity basis at December 31, 2008 and 2007 was zero and $115.3 million, respectively.

Sherman Summary Balance Sheet:

	December 31, 2007
	(in million of dollars)
Total assets	$2,242
Debt	$1,611
Total liabilities	$1,821
Members' equity	$ 421

Sherman Summary Income Statement:

	Year Ended December 31,		
	2008*	2007	2006
	(In millions of dollars)		
Revenues from receivable portfolios	$ 660.3	$ 994.3	$ 1,031.6
Portfolio amortization	264.8	488.1	373.0
Revenues, net of amortization	395.5	506.2	658.6
Credit card interest income and fees	475.6	692.9	357.3
Other revenue	35.3	60.8	35.6
Total revenues	906.4	1,259.9	1,051.5
Total expenses	740.1	991.5	702.0
Income before tax	$ 166.3	$ 268.4	$ 349.5
Company's income from Sherman	$ 35.6	$ 81.6	$ 121.9

* The year ended December 31, 2008 only reflects Sherman's results and our income from Sherman through July 31, 2008 as a result of the sale of our remaining interest in August 2008.

The "Company's income from Sherman" line item in the table above includes $3.6 million, $15.6 million and $12.0 million of additional amortization expense in 2008, 2007 and 2006, respectively, above Sherman's actual amortization expense, related to additional interests in Sherman that we purchased during the third quarter of 2006 at a price in excess of book value.

In September 2007, we sold a portion of our interest in Sherman to an entity owned by Sherman's senior management. The interest sold by us represented approximately 16% of Sherman's equity. We received a cash payment of $240.8 million in the sale. We recorded a $162.9 million pre-tax gain on this sale, which is reflected in our results of operations for the year ended December 31, 2007 as a realized gain.

11. Benefit plans

We have a non-contributory defined benefit pension plan covering substantially all domestic employees, as well as a supplemental executive retirement plan. We also offer both medical and dental benefits for retired domestic employees and their spouses under a postretirement benefit plan. In October 2008 we amended our postretirement benefit plan. The amendment, which is effective January 1, 2009, terminates the benefits provided to retirees once they reach the age of 65. This amendment reduces our accumulated postretirement benefit obligation as of December 31, 2008 as shown in the charts below. The amendment will also reduce our net periodic benefit cost in future periods beginning with calendar year

2009. The following tables provide the components of aggregate annual net periodic benefit cost, the amounts recognized in the consolidated balance sheet, changes in the benefit obligation and the funded status of the pension, supplemental executive retirement and other postretirement benefit plans:

Components of Net Periodic Benefit Cost for fiscal year ending

	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Company Service Cost	$ 8,677	$ 10,047	$ 3,886	$ 3,377
2. Interest Cost	13,950	12,225	4,966	3,874
3. Expected Return on Assets	(19,348)	(17,625)	(3,766)	(3,269)
4. Other Adjustments	—	—	—	—
Subtotal	3,279	4,647	5,086	3,982
5. Amortization of :				
a. Net Transition Obligation/(Asset)	—	—	283	283
b. Net Prior Service Cost/(Credit)	684	564	—	—
c. Net Losses/(Gains)	510	552	—	—
Total Amortization	1,194	1,116	283	283
6. Net Periodic Benefit Cost	4,473	5,763	5,369	4,265
7. Cost of SFAS 88 Events	—	—	—	—
8. Total Expense for Year	$ 4,473	$ 5,763	$ 5,369	$ 4,265

Reconciliation of Net Balance Sheet (Liability)/Asset

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Net Balance Sheet (Liability)/Asset at End of Prior Year	51,106	31,918	(23,143)	(31,218)
2. Amount Recognized in AOCI at End of Prior Year	2,247	16,667	2,737	10,696
3. (Accrued)/Prepaid Benefit Cost (before Adjustment) at End of Prior Year	53,353	48,585	(20,406)	(20,522)
4. Net Periodic Benefit (Cost)/Income for Fiscal Year	(4,473)	(5,762)	(5,369)	(4,267)
5. (Cost)/Income of SFAS 88 Events	—	—	—	—
6. Employer Contributions	33,000	10,300	—	3,400
7. Benefits Paid Directly by Company	230	230	(43)	983
8. Other Adjustment	—	—	—	—
9. (Accrued)/Prepaid Benefit Cost (before Adjustment) at End of Year	82,110	53,353	(25,818)	(20,406)
10. Amount Recognized in AOCI at End of Year	(104,420)	(2,247)	30,726	(2,737)
11. Net Balance Sheet (Liability)/Asset at End of Year	(22,310)	51,106	4,908	(23,143)

Development of Funded Status

	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
Actuarial Value of Benefit Obligations				
1. Measurement Date	12/31/2008	12/31/2007	12/31/2008	12/31/2007
2. Accumulated Benefit Obligation	202,475	177,285	25,282	73,358
3. Projected Benefit Obligation	229,039	207,431	—	—
Funded Status				
1. Projected Accumulated Benefit Obligation	(229,039)	(207,431)	(25,282)	(73,358)
2. Plan Assets at Fair Value	206,729	258,536	30,190	50,215
3. Funded Status — Overfunded	N/A	51,105	4,908	N/A
4. Funded Status — Underfunded	(22,310)	N/A	N/A	(23,143)

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Accumulated Other Comprehensive Income

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Net Actuarial (Gain)/Loss	$101,646	$ (1,210)	$ 27,319	$ 1,320
2. Net Prior Service Cost/(Credit)	2,774	3,457	(58,045)	—
3. Net Transition Obligation/(Asset)	—	—	—	1,417
4. Total at Year End	104,420	2,247	(30,726)	2,737

Information for Plans with PBO / APBO in Excess of Plan Assets

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Projected Benefit Obligation/ Accumulated Postretirement Benefit Obligation	$229,039	$ 13,375	$ —	$ —
2. Accumulated Benefit Obligation / Accumulated Postretirement Benefit Obligation	202,475	5,675	—	73,358
3. Fair Value of Plan Assets	206,729	—	—	50,215

Information for Plans with PBO / APBO Less Than Plan Assets

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Projected Benefit Obligation/ Accumulated Postretirement Benefit Obligation	$ —	$194,056	$ —	$ —
2. Accumulated Benefit Obligation / Accumulated Postretirement Benefit Obligation	—	171,610	25,282	—
3. Fair Value of Plan Assets	—	258,536	30,190	—

The changes in the projected benefit obligation are as follows:

Change in Projected Benefit Obligation

	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Benefit Obligation at Beginning of Year	$207,431	$202,950	$ 73,357	$74,807
2. Company Service Cost	8,677	10,047	3,886	3,377
3. Interest Cost	13,950	12,225	4,966	3,875
4. Plan Participants' Contributions	—	—	539	495
5. Net Actuarial (Gain)/Loss due to Assumption Changes	(7,725)	(14,922)	3,523	(4,644)
6. Net Actuarial (Gain)/Loss due to Plan Experience	11,317	2,816	(49)	(3,074)
7. Benefit Payments from Fund	(4,381)	(5,455)	(1,265)	—
8. Benefit Payments Directly by Company	(230)	(230)	(496)	(1,479)
9. Plan Amendments	—	—	(59,179)	—
10. Benefit Obligation at End of Year	$229,039	$207,431	$ 25,282	$73,357

The changes in the fair value of the net assets available for plan benefits are as follows:

Change in Plan Assets

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Fair Value of Plan Assets at Beginning of Year	$258,536	$234,868	$ 50,215	$43,590
2. Company Contributions	33,230	10,530	—	4,383
3. Plan Participants' Contributions	—	—	539	495
4. Benefit Payments from Fund	(4,381)	(5,455)	(1,265)	—
5. Benefit Payments paid directly by Company	(230)	(230)	(496)	(1,479)
6. Actual Return on Assets	(80,426)	18,823	(18,760)	3,226
7. Adjustment	—	—	(43)	
8. Fair Value of Plan Assets at End of Year	206,729	258,536	30,190	50,215

Change in Net Actuarial Loss/(Gain)

	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Net Actuarial Loss/(Gain) at end of prior year	$ (1,211)	$ 12,645	$ 1,320	$ 8,995
2. Amortization Credit/(Cost) For Year	(510)	(552)	—	—
3. Liability Loss/(Gain)	3,593	(12,106)	3,473	(7,718)
4. Asset Loss/(Gain)	99,774	(1,198)	22,526	43
5. Net Actuarial Loss/(Gain) at year end	$101,646	$ (1,211)	$ 27,319	$ 1,320

Change in Accumulated Other Comprehensive Income (AOCI)

1. AOCI in Prior Year	$ 2,247	$ 16,667	$ 2,737	$10,696
2. Increase/(Decrease) in AOCI				
a. Recognized during year — Net Recognized Transition Transition (Obligation)/Asset	—	—	(283)	(283)
b. Recognized during year — Prior Service (Cost)/Credit	(683)	(564)	—	—
c. Recognized during year — Net Actuarial (Losses)/Gains	(510)	(552)	—	—
d. Occurring during year — Prior Service Cost	—	—	(59,179)	—
e. Occurring during year — Net Actuarial Losses/(Gains)	103,366	(13,304)	25,999	(7,676)
f. Increase (decrease) due to adoption of SFAS 158	N/A	N/A	N/A	N/A
g. Other adjustments	—	—	—	—
3. AOCI in Current Year	$104,420	$ 2,247	$(30,726)	$ 2,737

Amortizations Expected to be Recognized During Next Fiscal Year

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
1. Amortization of Net Transition Obligation/(Asset)	$ —	$ —	$ —	$ 283
2. Amortization of Prior Service Cost/(Credit)	632	684	(6,509)	—
3. Amortization of Net Losses/(Gains)	6,876	456	1,888	—

The projected benefit obligations, net periodic benefit costs and accumulated postretirement benefit obligation for the plans were determined using the following weighted average assumptions.

Actuarial Assumptions

	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Weighted-Average Assumptions Used to Determine				
Benefit Obligations at year end				
1. Discount Rate	6.50%	6.50%	6.50%	6.50%
2. Rate of Compensation Increase	3.00%	4.50%	N/A	N/A
3. Social Security Increase	N/A	N/A	N/A	N/A
4. Pension Increases for Participants In-Payment Status	N/A	N/A	N/A	N/A
Weighted-Average Assumptions Used to Determine				
Net Periodic Benefit Cost for Year				
1. Discount Rate	6.50%	6.00%	6.50%	6.00%
2. Expected Long-term Return on Plan Assets	7.50%	7.50%	7.50%	7.50%
3. Rate of Compensation Increase	4.50%	4.50%	N/A	N/A
4. Social Security Increase	N/A	N/A	N/A	N/A
5. Pension Increases for Participants In-Payment Status	N/A	N/A	N/A	N/A
Assumed Health Care Cost Trend Rates at year end				
1. Health Care Cost Trend Rate Assumed for Next Year	N/A	N/A	8.00%	8.50%
2. Rate to Which the Cost Trend Rate is Assumed to Decline (Ultimate Trend Rate)	N/A	N/A	5.00%	5.00%
3. Year That the Rate Reaches the Ultimate Trend Rate	N/A	N/A	2015	2015

In selecting a discount rate, we performed a hypothetical cash flow bond matching exercise, matching our expected pension plan and postretirement medical plan cash flows, respectively, against a selected portfolio of high quality corporate bonds. The modeling was performed using a bond portfolio of noncallable bonds with at least $25 million outstanding. The average yield of these hypothetical bond portfolios was used as the benchmark for determining the discount rate. In selecting the expected long-term rate of return on assets, we considered the average rate of earnings expected on the classes of funds invested or to be invested to provide for the benefits of these plans. This included considering the trusts' targeted asset allocation for the year and the expected returns likely to be earned over the next 20 years.

The weighted-average asset allocations of the plans are as follows:

Plan Assets

	Pension Plan		Other Postretirement Benefits	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Allocation of Assets at year end				
1. Equity Securities	70%	77%	100%	100%
2. Debt Securities	19%	20%	0%	0%
3. Real Estate	2%	3%	0%	0%
4. Other	9%	0%	0%	0%
5. Total	100%	100%	100%	100%
Target Allocation of Assets				
1. Equity Securities	77%	80%	100%	100%
2. Debt Securities	20%	17%	0%	0%
3. Real Estate	3%	3%	0%	0%
4. Other	0%	0%	0%	0%
5. Total	100%	100%	100%	100%

Our pension plan portfolio returns are expected to achieve the following objectives over each market cycle and for at least 5 years:

- Total return should exceed growth in the Consumer Price Index
- Achieve competitive investment results
- Provide consistent investment returns
- Meet or exceed the actuarial return assumption

The primary focus in developing asset allocation ranges for the portfolio is the assessment of the portfolio's investment objectives and the level of risk that is acceptable to obtain those objectives. To achieve these goals the minimum and maximum allocation ranges for fixed income securities and equity securities was, as of December 31, 2008:

	Minimum	Maximum
Fixed Income	0%	30%
Equity	70%	100%
Cash equivalents	0%	10%

Investment in international oriented funds is limited to a maximum of 20% of the equity range.

In 2009, we decided to substantially increase the allocation range for fixed income securities.

Our postretirement plan portfolio returns are expected to achieve the following objectives over each market cycle and for at least 5 years:

- Total return should exceed growth in CPI
- Achieve competitive investment results

The primary focus in developing asset allocation ranges for the account is the assessment of the account's investment objectives and the level of risk that is

acceptable to obtain those objectives. To achieve these goals the minimum and maximum allocation ranges for fixed income securities and equity securities are:

	Minimum	Maximum
Fixed Income	0%	10%
Equity	90%	100%

Given the long term nature of this portfolio and the lack of any immediate need for cash flow, it is anticipated that the equity investments will consist of growth stocks and will typically be at the higher end of the allocation ranges above. Investment in international oriented funds is limited to a maximum of 18% of the portfolio.

The following tables show the actual and estimated future contributions and actual and estimated future benefit payments.

Company Contributions

	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
Company Contributions for the Year Ending:				
1. Current - 1	$10,530	$10,036	$ 4,383	$ 4,379
2. Current	33,230	10,530	—	4,383
3. Current + 1	10,000	9,262	—	3,000

Benefits Paid Directly by the Company

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
Benefits Paid Directly by the Company for the Year Ending:				
1. Current - 1	$ 230	$ 36	$ 1,478	$ 1,440
2. Current	230	230	1,761	1,479
3. Current + 1	284	262	1,817	2,114

Plan Participants' Contributions

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
Plan Participants' Contributions for the Year Ending:				
1. Current - 1	$ —	$ —	$ 495	$ 361
2. Current	—	—	539	495
3. Current + 1	—	—	436	533

Benefit Payments (Total)

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	(In thousands of dollars)			
Actual Benefit Payments for the Year Ending:				
1. Current - 1	$ 5,685	$ 2,869	$ 983	$ 1,440
2. Current	4,611	5,685	1,222	1,479
Expected Benefit Payments for the Year Ending:				
3. Current + 1	6,169	4,761	1,380	1,581
4. Current + 2	7,256	5,530	1,608	1,851
5. Current + 3	8,444	6,603	1,920	2,167
6. Current + 4	9,655	7,567	2,140	2,548
7. Current + 5	10,895	8,892	2,224	2,890
8. Current + 6 - 10	75,028	66,628	14,354	20,177

The following other postretirement benefit payments, which reflect future service, are expected to be paid in the following fiscal years:

	Other Postretirement Benefits		
	Gross Benefits	Medicare Part D Subsidy	Net Benefits
		(In thousands of dollars)	
Fiscal Year			
2009	1,380	—	1,380
2010	1,608	—	1,608
2011	1,920	—	1,920
2012	2,140	—	2,140
2013	2,224	—	2,224
Years 2014 - 2018	14,354	—	14,354

Health care sensitivities

For measurement purposes, an 8.5% health care trend rate was used for pre-65 benefits for 2008. In 2009, the rate is assumed to be 8.0%, decreasing to 5.0% by 2015 and remaining at this level beyond.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A 1% change in the health care trend rate assumption would have the following effects on other postretirement benefits:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(In thousands of dollars)	
Effect on total service and interest cost components	$1,920	$(1,500)
Effect on postretirement benefit obligation	2,608	(2,295)

We have a profit sharing and 401(k) savings plan for employees. At the discretion of the Board of Directors, we may make a profit sharing contribution of up to 5% of each participant’s eligible compensation. We provide a matching 401(k) savings contribution on employees’ before-tax contributions at a rate of 80% of the first $1,000 contributed and 40% of the next $2,000 contributed. We recognized profit sharing expense and 401(k) savings plan expense of $4.5 million, $2.7 million and $5.6 million in 2008, 2007 and 2006, respectively.

12. Income taxes

Net deferred tax assets and liabilities as of December 31, 2008 and 2007 are as follows:

	2008	2007
	(In thousands of dollars)	
Deferred tax assets	$ 396,024	$ 681,858
Deferred tax liabilities	(88,808)	(56,008)
Net deferred tax asset	$ 307,216	$ 625,850

We have deducted contingency reserves on our federal income tax returns in prior periods and purchased tax and loss bonds, which we account for as a payment of federal income tax. These reserves can be released into taxable income in future years. Since the tax effect on these reserves exceeds the gross deferred tax assets less deferred tax liabilities, we believe that all gross deferred tax assets at December 31, 2008 are fully realizable and no valuation reserve was established. In 2009, the remainder of these reserves will be released and will no longer be available to support any net deferred tax assets. This would likely have a material impact on our results from operations in future periods, as any credit for income taxes, relating to future operating losses, will be reduced or eliminated by the valuation allowance.

The components of the net deferred tax asset as of December 31, 2008 and 2007 are as follows:

	2008	2007
	(In thousands of dollars)	
Unearned premium reserves	$ 32,769	$ 25,951
Deferred policy acquisition costs	(3,763)	(3,775)
Loss reserves	69,875	54,399
Unrealized depreciation (appreciation) in investments	27,521	(35,547)
Alternative minimum tax credit carryforward	27,719	—
Mortgage investments	17,765	31,391
Benefit plans	8,606	(6,794)
Deferred compensation	18,605	21,858
Investments in joint ventures	(74,560)	114,522
Premium deficiency reserves	159,018	423,794
Loss due to “other than temporary” impairments	16,669	—
Other, net	6,992	51
Net deferred tax asset	$ 307,216	$ 625,850

The following summarizes the components of the (credit) provision for income tax:

	2008	2007	2006
		(In thousands of dollars)	
Current	$(654,245)	$(369,507)	$133,998
Deferred	254,409	(465,580)	(6,784)
Other	5,507	1,110	2,883
(Credit) provision for income tax	$(394,329)	$(833,977)	$130,097

We (received) paid ($938.1) million, ($176.3) million and $227.3 million in federal income tax in 2008, 2007 and 2006, respectively. At December 31, 2008, 2007 and 2006, we owned $431.5 million, $1,319.6 million and $1,686.5 million, respectively, of tax and loss bonds.

The reconciliation of the federal statutory income tax (credit) rate to the effective income tax (credit) rate is as follows:

	2008	2007	2006
Federal statutory income tax (credit) rate	(35.0)%	(35.0)%	35.0%
Tax exempt municipal bond interest	(7.5)	(2.6)	(10.7)
Other, net	0.4	0.3	0.5
Effective income tax (credit) rate	(42.1)%	(37.3)%	24.8%

On June 1, 2007, as a result of an examination by the Internal Revenue Service (“IRS”) for taxable years 2000 through 2004, we received a Revenue Agent Report (“RAR”). The adjustments reported on the RAR substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy-related penalties, plus applicable interest. We have agreed with the IRS on certain issues and paid $10.5 million in additional taxes and interest. The remaining open issue relates to our treatment of the flow through income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits (“REMICS”). The IRS has indicated that it does not believe that, for various reasons, we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and have appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. On July 2, 2007, we made a payment of $65.2 million with the United States Department of the Treasury to

eliminate the further accrual of interest. Although the resolution of this issue is uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolution of this matter differs materially from our estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

In February 2009, the Internal Revenue Service informed us that it plans to conduct an examination of our federal income tax returns for 2005 through 2007. We believe that income taxes related to these years have been properly provided for in the financial statements.

Effective January 1, 2007, we adopted FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." The Interpretation seeks to reduce the significant diversity in practice associated with recognition and measurement in the accounting for income taxes. The interpretation applies to all tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." When evaluating a tax position for recognition and measurement, an entity shall presume that the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. The interpretation adopts a benefit recognition model with a two-step approach, a more-likely-than-not threshold for recognition and derecognition, and a measurement attribute that is the greatest amount of benefit that is cumulatively greater than 50% likely of being realized. As a result of the adoption, we recognized a decrease of $85.5 million in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of retained earnings. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Unrecognized tax benefits (in millions of dollars)
Balance at December 31, 2007	$ 86.1
Additions based on tax positions related to the current year	0.7
Additions for tax positions of prior years	1.1
Reductions for tax positions of prior years	—
Settlements	—
Balance at December 31, 2008	$ 87.9

The total amount of unrecognized tax benefits that would affect our effective tax rate is $76.0 million and $74.8 million as of December 31, 2008 and 2007, respectively. We recognize interest accrued and penalties related to unrecognized tax benefits in income taxes. During 2008, we recognized $1.1 million in interest. As of December 31, 2008 and 2007 we had $21.4 million and $20.3 million of accrued interest related to uncertain tax positions, respectively. The statute of limitations related to the consolidated federal income tax return is closed for all tax years prior to 2000.

The establishment of this liability requires estimates of potential outcomes of various issues and requires significant judgment. Although the resolutions of these issues are uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolutions of these matters differ materially from our estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

13. Shareholders' equity, dividend restrictions and statutory capital

In March 2008 we completed the public offering and sale of 42.9 million shares of our common stock at a price of $11.25 per share. We received net proceeds of approximately $460 million, after deducting underwriting discount and offering expenses. Of the 42.9 million shares of common stock sold, 7.1 million were newly issued shares and 35.8 million were common shares issued out of treasury. The cost of the treasury shares issued exceeded the proceeds from the sale by approximately $1.6 billion, which resulted in a deficiency. The deficiency was charged to paid-in capital related to previous treasury share transactions, and the remainder was charged to retained earnings.

A portion of the net proceeds of the offering along with the net proceeds of the debentures (See Note 7.) was used to increase the capital of MGIC, our principal insurance subsidiary, in order to enable us to expand the volume of our new insurance written and a portion is available for our general corporate purposes.

In June 2008 our shareholders approved an amendment to our Articles of Incorporation that increased the number of authorized shares of common stock from 300 million to 460 million. We have 28.9 million authorized shares reserved for conversion under our convertible debentures. (See Note 7.)

Dividends

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

The credit facility, senior notes and convertible debentures, discussed in Notes 6 and 7, are obligations of MGIC Investment Corporation and not of its subsidiaries. We are a holding company and the payment of dividends from our insurance subsidiaries, which historically has been the principal source of our holding

company cash inflow, is restricted by insurance regulation. MGIC is the principal source of dividend-paying capacity. During 2008, MGIC paid three quarterly dividends of $15 million each to our holding company, which increased the cash resources of our holding company. As has been the case for the past several years, as a result of extraordinary dividends paid, MGIC cannot currently pay any dividends without regulatory approval. We do not anticipate seeking approval in 2009 for any additional dividends from MGIC that would increase our cash resources at the holding company. Our other insurance subsidiaries can pay $3.6 million of dividends to us without such regulatory approval.

Certain of our non-insurance subsidiaries also have requirements as to maintenance of net worth.

In 2008, 2007 and 2006, we paid dividends of $8.2 million, $63.8 million and $85.5 million, respectively, or $0.075 per share in 2008, $0.775 per share in 2007 and $1.00 per share in 2006. In the fourth quarter of 2008, we suspended the payment of dividends.

Accounting Principles

The accounting principles used in determining statutory financial amounts differ from GAAP, primarily for the following reasons:

Under statutory accounting practices, mortgage guaranty insurance companies are required to maintain contingency loss reserves equal to 50% of premiums earned. Such amounts cannot be withdrawn for a period of ten years except as permitted by insurance regulations. With regulatory approval a mortgage guaranty insurance company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net premiums earned in a calendar year. Changes in contingency loss reserves impact the statutory statement of operations. Contingency loss reserves are not reflected as liabilities under GAAP and changes in contingency loss reserves do not impact GAAP operations. A premium deficiency reserve that may be recorded on a GAAP basis when present value of expected future losses and expenses exceeds the present value of expected future premiums and already established loss reserves, may not be recorded on a statutory basis if the present value of expected future premiums and already established loss reserves and statutory contingency reserves, exceeds the present value of expected future losses and expenses.

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

Under statutory accounting practices, purchases of tax and loss bonds are accounted for as investments. Under GAAP, purchases of tax and loss bonds are recorded as payments of current income taxes.

Under statutory accounting practices, changes in deferred tax assets and liabilities are recognized as a separate component of gains and losses in statutory surplus. Under GAAP, changes in deferred tax assets and liabilities are recorded on the statement of operations as a component of the (credit) provision for income tax.

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

Under statutory accounting practices, certain assets, designated as non-admitted assets, are charged directly against statutory surplus. Such assets are reflected on the GAAP financial statements.

Under statutory accounting practices, our share of the net income or loss of our investments in joint ventures is credited directly to statutory surplus. Under GAAP, income from joint ventures is shown separately, net of tax, on the statement of operations.

The statutory net income, surplus and the contingency reserve liability of the insurance subsidiaries (excluding the non-insurance companies), as well as the surplus contributions made to MGIC and other insurance subsidiaries and dividends paid by MGIC to us, are as follows:

Year Ended December 31,	Net (loss) Income	Surplus	Contingency Reserve (1)
		(In thousands of dollars)	
2008	$(172,196)	$1,612,953	$2,087,265
2007	$ 467,928	$1,352,455	$3,465,428
2006	$ 398,059	$1,592,040	$4,851,083

(1) Decreases in contingency reserves in 2007 and 2008 reflect early withdrawals for incurred losses that exceeded 35% of net premiums earned in a calendar year, in accordance with insurance regulations.

Year Ended December 31,	Surplus contributions made to MGIC by the parent company	Surplus contributions made to other insurance subsidiaries by the parent company	Dividends paid by MGIC to the parent company
		(In thousands of dollars)	
2008	$550,000	$175,000	$170,000
2007	—	35,000	320,000
2006	—	—	570,001

Statutory capital

The mortgage insurance industry is experiencing material losses, especially on the 2006 and 2007 books. The ultimate amount of these losses will depend in part on general economic conditions, including unemployment, and the direction of home prices in California, Florida and other distressed markets, which in turn will be influenced by general economic conditions and other factors. Because we cannot predict future home prices or general economic conditions with confidence, there is significant uncertainty surrounding what our ultimate losses will be on our 2006 and 2007 books. Our current expectation, however, is that these books will continue to generate material incurred and paid losses for a number of years. Our view of potential losses on these books has trended upward since the first quarter of 2008, including since the time at which we finalized our Quarterly Report on Form 10-Q for the third quarter of 2008.

The Office of the Commissioner of Insurance of Wisconsin is MGIC's principal insurance regulator. To assess a mortgage guaranty insurer's capital adequacy, Wisconsin's insurance regulations require that a mortgage guaranty insurance company maintain "policyholders position" of not less than a minimum computed under a formula. Policyholders position is the insurer's net worth or surplus, contingency reserve and a portion of the reserves for unearned premiums, with credit given for authorized reinsurance. The minimum required by the formula ("MPP") depends on the insurance in force and whether the loans insured are primary insurance or pool insurance and further depends on the LTV ratio of the individual loans and their coverage percentage (and in the case of pool insurance, the amount of any deductible). If a mortgage guaranty insurer does not meet MPP it cannot write new business until its policyholders position meets the minimum.

Some states that regulate us have provisions that limit the risk-to-capital ratio of a mortgage guaranty insurance company to 25:1. This ratio is computed on a statutory basis for our combined insurance operations and is our net risk in force divided by our policyholders' position. Policyholders' position consists primarily of statutory policyholders' surplus, plus the statutory contingency reserve. The statutory contingency reserve is reported as a liability on the statutory balance sheet. A mortgage insurance company is required to make annual contributions to the contingency reserve of approximately 50% of net earned premiums. These contributions must generally be maintained for a period of ten years. However, with regulatory approval a mortgage insurance company may make early

withdrawals from the contingency reserve when incurred losses exceed 35% of net earned premium in a calendar year. If an insurance company's risk-to-capital ratio exceeds the limit applicable in a state, it may be prohibited from writing new business in that state until its risk-to-capital ratio falls below the limit.

In February 2009, we received clarification from the OCI regarding the methodology used in calculating the excess of our policyholders position over the MPP. The clarification effectively reduces the required MPP by our reserves established for delinquent loans, beginning with our December 31, 2008 calculations. It is also our understanding that certain states have clarified their calculation of risk-to-capital to reduce risk in force for established loss reserves. We have used this methodology beginning with our December 31, 2008 calculations.

At December 31, 2008, MGIC exceeded MPP by more than $1.5 billion, and we exceeded MPP by $1.6 billion on a combined basis. At December 31, 2008 MGIC's risk-to-capital was 12.9:1 and was 14.7:1 on a combined basis.

In addition to the uncertainties that could result in increased losses, there are other items that could favorably impact our future losses. For example, our estimated loss reserves reflect loss mitigation from rescissions using only the rate at which we have rescinded claims during recent periods, as discussed in Note 8. In light of the number of claims investigations we are pursuing and our perception that books of insurance we wrote before 2008 contain a significant number of loans involving fraud, we expect our rescission rate during future periods to increase. The insured can dispute our right to rescind coverage, and whether the requirements to rescind are met ultimately would be determined by arbitration or judicial proceedings. Also, our estimated loss reserves do not take account of the effect of potential benefits that might be realized from third party and governmental loan modification programs.

Because the factors that will affect our future losses are subject to significant uncertainty, there is significant uncertainty regarding the level of our future losses. However, if recent loss trends continue MGIC's policyholders position would decline and its risk-to-capital would increase beyond the levels necessary to meet regulatory requirements. Depending on the level of future losses, this could occur before the end of 2009.

An inability to write new business does not mean that we do not have sufficient resources to pay claims. We believe we have more than adequate resources to pay claims on our insurance in force, even in scenarios in which losses materially exceed those that would result in not meeting MPP and risk-to-capital requirements. Our claims paying resources principally consist of our investment portfolio, captive reinsurance trust funds and future premiums on our insurance in force, net of premiums ceded to captive and other reinsurers.

We are considering options to obtain capital to write new business, which could occur through the sale of equity or debt securities, from reinsurance and/or through the use of claims paying resources that should not be needed to cover obligations on our existing insurance in force. While we have not pursued raising capital from private sources, we initiated discussions with the US Treasury late in October 2008 to seek a capital investment and/or reinsurance under the Troubled Assets Relief Program ("TARP"). We understand there is intense competition for TARP and other government assistance. We cannot predict whether we will be successful in obtaining capital from any source but any sale of additional securities could dilute substantially the interest of existing shareholders and other forms of capital relief could also result in additional costs.

Our senior management believes that one of the capital generating options referred to above will be feasible or that the uncertainties described above will develop in a manner such that we will be able to continue to write new business through the end of 2009. We can, however, give no assurance in this regard, and higher losses, adverse changes in our relationship with the GSEs, or reduced benefits from loss mitigation, among other factors, could result in senior management's belief not being realized.

Share-based compensation plans

We have certain share-based compensation plans. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period which generally corresponds to the vesting period. Awards under our plans generally vest over periods ranging from one to five years.

The compensation cost that has been charged against income for the share-based plans was $17.4 million, $19.3 million and $33.4 million for the years ended December 31, 2008, 2007 and 2006, respectively. The related income tax benefit recognized for the share-based compensation plans was $6.1 million, $6.8 million and $11.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

We have stock incentive plans that were adopted in 1991 and 2002. When the 2002 plan was adopted, no further awards could be made under the 1991 plan. The maximum number of shares covered by awards under the 2002 plan is the total of 7.1 million shares plus the number of shares that must be purchased at a purchase price of not less than the fair market value of the shares as a condition to the award of restricted stock under the 2002 plan. The maximum number of shares of restricted stock that can be awarded under the 2002 plan is 5.9 million shares. Both plans provide for the award of stock options with maximum terms of 10 years and for the grant of restricted stock or restricted stock units. The 2002 plan also provides for the grant of stock appreciation rights. The exercise price of options is the closing price of the common stock on the New York Stock Exchange on the date of grant. The vesting provisions of options, restricted stock and restricted stock units are determined at the time of grant. Newly issued shares are used for exercises under the 1991 plan and treasury shares are used for exercises under the 2002 plan. Directors may receive awards under the 2002 plan and were eligible for awards of restricted stock under the 1991 plan.

A summary of option activity in the stock incentive plans during 2008 is as follows:

	Weighted Average Exercise Price	Shares Subject to Option
Outstanding, December 31, 2007	$ 56.26	2,587,880
Granted	—	—
Exercised	—	—
Forfeited or expired	64.26	(73,730)
Outstanding, December 31, 2008	$ 56.03	2,514,150

There were no options granted in 2008, 2007 or 2006. For the years ended December 31, 2007 and 2006, the total intrinsic value of options exercised (i.e., the difference in the market price at exercise and the price paid by the employee to exercise the option) was $0.7 million and $13.1 million, respectively. The total amount of value received from exercise of options was $2.9 million and $24.5 million, and the related net tax benefit realized from the exercise of those stock options was $0.3 million and $4.6 million for the years ended December 31, 2007 and 2006, respectively. There were no options exercised in 2008.

The following is a summary of stock options outstanding at December 31, 2008:

	Options Outstanding			Options Exercisable		
Exercise Price Range	Shares	Remaining Average Life (years)	Weighted Average Exercise Price	Shares	Remaining Average Life (years)	Weighted Average Exercise Price
$35.75 - 47.31	1,062,100	1.9	$44.80	747,370	2.3	$44.55
$53.70 - 68.20	1,452,050	3.5	$64.24	1,341,400	3.4	$63.92
Total	2,514,150	2.8	$56.03	2,088,770	3.0	$56.99

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2008 was zero. The aggregate intrinsic value represents the total pre-tax intrinsic value based on our closing stock price of $3.48 as of December 31, 2008 which would have been received by the option holders had all option holders exercised their options on that date. Because our closing stock price at December 31, 2008 was below all exercise prices, none of the outstanding options had any intrinsic value.

A summary of restricted stock or restricted stock units during 2008 is as follows:

	Weighted Average Grant Date Fair Market Value	Shares
Restricted stock outstanding at December 31, 2007	$ 62.74	1,415,970
Granted	15.38	1,258,315
Vested	63.40	(204,102)
Forfeited	51.69	(99,253)
Restricted stock outstanding at December 31, 2008	$ 37.89	2,370,930

At December 31, 2008, the 2.4 million shares of restricted stock outstanding consisted of 1.4 million shares that are subject to performance conditions (“performance shares”) and 1.0 million shares that are subject only to service conditions (“time vested shares”). The weighted-average grant date fair value of restricted stock granted during 2007 and 2006 was $62.17 and $64.67, respectively. The fair value of restricted stock granted is the closing price of the common stock on the New York Stock Exchange on the date of grant. At December 31, 2008,

3,004,229 shares were available for future grant under the 2002 stock incentive plan. Of the shares available for future grant, 2,905,609 are available for restricted stock awards. The total fair value of restricted stock vested during 2008, 2007 and 2006 was $3.3 million, $20.7 million and $17.4 million, respectively.

As of December 31, 2008, there was $49.0 million of total unrecognized compensation cost related to nonvested share-based compensation agreements granted under the Plan. Of this total, $33.8 million of unrecognized compensation costs relate to performance shares and $15.2 million relates to time vested shares. The unrecognized costs associated with the performance shares may or may not be recognized in future periods, depending upon whether or not the performance conditions are met. The cost associated with the time vested shares is expected to be recognized over a weighted-average period of 1.4 years.

Under terms of our Shareholder Rights Agreement each outstanding share of our Common Stock is accompanied by one Right. The “Distribution Date” occurs ten days after an announcement that a person has become the beneficial owner (as defined in the Agreement) of the Designated Percentage of our Common Stock (the date on which such an acquisition occurs is the “Shares Acquisition Date” and a person who makes such an acquisition is an “Acquiring Person”), or ten business days after a person announces or begins a tender offer in which consummation of such offer would result in ownership by a person of 15 percent or more of the Common Stock. The Designated Percentage is 15% or more, except that for certain investment advisers and investment companies advised by such advisers, the Designated Percentage is 20% or more if certain conditions are met. The Rights are not exercisable until the Distribution Date. Each Right will initially entitle shareholders to buy one-half of one share of our Common Stock at a Purchase Price of $225 per full share (equivalent to $112.50 for each one-half share), subject to adjustment. If there is an Acquiring Person, then each Right (subject to certain limitations) will entitle its holder to purchase, at the Rights’ then-current Purchase Price, a number of our shares of Common Stock (or if after the Shares Acquisition Date, we are acquired in a business combination, common shares of the acquiror) having a market value at the time equal to twice the Purchase Price. The Rights will expire on July 22, 2009, subject to extension. The Rights are redeemable at a price of $0.001 per Right at any time prior to the time a person becomes an Acquiring Person. Other than certain amendments, the Board of Directors may amend the Rights in any respect without the consent of the holders of the Rights.

14. Leases

We lease certain office space as well as data processing equipment and autos under operating leases that expire during the next six years. Generally, rental payments are fixed.

Total rental expense under operating leases was $8.1 million, $7.7 million and $6.9 million in 2008, 2007 and 2006, respectively.

At December 31, 2008, minimum future operating lease payments are as follows (in thousands of dollars):

2009	$ 6,054
2010	4,830
2011	2,277
2012	1,448
2013 and thereafter	1,054
Total	$ 15,663

15. Litigation and contingencies

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

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC’s settlement of class action

litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. While we are not a defendant in any of these cases, there can be no assurance that we will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department, we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the New York Insurance Department requested MGIC to review its premium rates in New York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, MGIC advised the New York Insurance Department that it believes its premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce, which regulates insurance, we provided the Department with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the Minnesota Department of Commerce, and beginning in March 2008 that Department has sought additional information as well as answers to questions regarding captive mortgage reinsurance on several occasions. In June 2008, we received a subpoena from the Department of Housing and Urban Development, commonly referred to as HUD, seeking information about captive mortgage reinsurance similar to that requested by the Minnesota Department of Commerce, but not limited in scope to the state of Minnesota. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that the Department of Housing and Urban Development as well as the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While we believe our captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

In October 2007, the Division of Enforcement of the Securities and Exchange Commission requested that we voluntarily furnish documents and information primarily relating to C-BASS, the now-terminated merger with Radian and the subprime mortgage assets "in the Company's various lines of business." We are in the process of providing responsive documents and information to the Securities and Exchange Commission. As part of its initial information request, the SEC staff

informed us that this investigation should not be construed as an indication by the SEC or its staff that any violation of the securities laws has occurred, or as a reflection upon any person, entity or security.

In 2008, complaints in five separate purported stockholder class action lawsuits were filed against us, several of our officers and an officer of C-BASS. The allegations in the complaints are generally that through these individuals we violated the federal securities laws by failing to disclose or misrepresenting C-BASS's liquidity, the impairment of our investment in C-BASS, the inadequacy of our loss reserves and that we were not adequately capitalized. The collective time period covered by these lawsuits begins on October 12, 2006 and ends on February 12, 2008. The complaints seek damages based on purchases of our stock during this time period at prices that were allegedly inflated as a result of the purported misstatements and omissions. With limited exceptions, our bylaws provide that our officers are entitled to indemnification from us for claims against them of the type alleged in the complaints. We believe, among other things, that the allegations in the complaints are not sufficient to prevent their dismissal and intend to defend against them vigorously. However, we are unable to predict the outcome of these cases or estimate our associated expenses or possible losses.

Other lawsuits alleging violations of the securities laws could be brought against us. In December 2008, a holder of a class of certificates in a publicly offered securitization for which C-BASS was the sponsor brought a purported class action under the federal securities laws against C-BASS; the issuer of such securitization, which was an affiliate of a major Wall Street underwriter; and the underwriters alleging material misstatements in the offering documents. The complaint describes C-BASS as a venture of MGIC, Radian Group and the management of C-BASS and refers to Doe defendants who are unknown to the plaintiff but who the complaint says are legally responsible for the events described in the complaint.

Two law firms have issued press releases to the effect that they are investigating whether the fiduciaries of our 401(k) plan breached their fiduciary duties regarding the plan's investment in or holding of our common stock. With limited exceptions, our bylaws provide that the plan fiduciaries are entitled to indemnification from us for claims against them. We intend to defend vigorously any proceedings that may result from these investigations.

Under our contract underwriting agreements, we may be required to provide certain remedies to our customers if certain standards relating to the quality of our underwriting work are not met. The cost of remedies provided by us to customers for failing to meet these standards has not been material to our financial position or results of operations for the years ended December 31, 2008, 2007 and 2006.

See Note 12 for a description of federal income tax contingencies.

16. Unaudited quarterly financial data

2008	Quarter First	Second	Third	Fourth	2008 Year
	(In thousands of dollars, except per share data)				
Net premiums written	$ 368,454	$ 371,797	$ 365,042	$ 360,754	$ 1,466,047
Net premiums earned	345,488	350,292	342,312	355,088	1,393,180
Investment income, net of expenses	72,482	76,982	78,612	80,441	308,517
Losses incurred, net (a)	691,648	688,143	788,272	903,438	3,071,501
Change in premium deficiency reserves	(263,781)	(158,898)	(204,240)	(129,586)	(756,505)
Underwriting and other expenses	76,986	68,236	62,424	63,668	271,314
Net loss	(34,394)	(97,899)	(113,274)	(273,347)	(518,914)
Loss per share (a):					
Basic	(0.41)	(0.79)	(0.91)	(2.21)	(4.55)
Diluted	(0.41)	(0.79)	(0.91)	(2.21)	(4.55)

(a) Our view of potential losses on the 2006 and 2007 books of business has trended upward since the first quarter of 2008.

2007	Quarter First	Second	Third(b)	Fourth(c)(d)	2007 Year
	(In thousands of dollars, except per share data)				
Net premiums written	$ 304,034	$ 320,988	$ 340,244	$ 380,528	$ 1,345,794
Net premiums earned	299,021	306,451	320,966	335,952	1,262,390
Investment income, net of expenses	62,970	61,927	64,777	70,154	259,828
Losses incurred, net	181,758	235,226	602,274	1,346,165	2,365,423
Change in premium deficiency reserves	—	—	—	1,210,841	1,210,841
Underwriting and other expenses	75,072	75,330	86,325	72,883	309,610
Net income (loss)	92,363	76,715	(372,469)	(1,466,627)	(1,670,018)
Earnings (loss) per share (a):					
Basic	1.13	0.94	(4.61)	(18.17)	(20.54)
Diluted	1.12	0.93	(4.61)	(18.17)	(20.54)

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

(b) The third quarter results included a net-of-tax impairment charge of $303 million related to our investment in C-BASS. (See Note 10.)

(c) The fourth quarter results included the establishment of premium deficiency reserves related to our Wall Street bulk business. (See Notes 1 and 8.)

(d) The fourth quarter results reflect the significant deterioration in the performance of loans insured experienced during that quarter, as reported under losses incurred.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
MGIC Investment Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and of cash flows present fairly, in all material respects, the financial position of MGIC Investment Corporation and its subsidiaries (the "Company") at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2), present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
February 27, 2009

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

None.

Item 9A. Controls and Procedures.

Management's Conclusion Regarding the Effectiveness of Disclosure Controls

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this annual report. Based on such evaluation, our principal executive officer and principal financial officer concluded that such controls and procedures were effective as of the end of such period.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies of procedures may deteriorate.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our internal control over financial reporting using the framework in *Internal Control — Integrated Framework*issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of our internal control over financial reporting, as of December 31, 2008, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control during the Fourth Quarter

There was no change in our internal control over financial reporting that occurred during the fourth quarter of 2008 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

This information (other than on the executive officers) will be included in our Proxy Statement for the 2009 Annual Meeting of Shareholders, and is hereby incorporated by reference. The information on the

executive officers appears at the end of Part I of this Form 10-K.

We intend to disclose on our website any waivers and amendments to our Code of Business Conduct that are required to be disclosed under Item 5.05 of Form 8-K.

Item 11. Executive Compensation.

This information will be included in our Proxy Statement for the 2009 Annual Meeting of Shareholders and, other than information covered by Instruction (9) to Item 402 (a) of Regulation S-K of the Securities and Exchange Commission, is hereby incorporated by reference.

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

This information, other than information regarding equity compensation plans required by Item 201(d) of Regulation S-K of the Securities and Exchange Commission which appears below, will be included in our Proxy Statement for the 2009 Annual Meeting of Shareholders, and is hereby incorporated by reference.

The table below sets forth certain information, as of December 31, 2008, about options outstanding under our 1991 Stock Incentive Plan (the “1991 Plan”) and our 2002 Stock Incentive Plan (the “2002 Plan”). Other than under these plans, no options, warrants or rights were outstanding at that date under any compensation plan or individual compensation arrangement with us. We have no compensation plan under which our equity securities may be issued that has not been approved by shareholders. Share units issued under the Deferred Compensation Plan for Non-Employee Directors, which have no voting power and can be settled only in cash, are not considered to be equity securities for this purpose.

	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category			
Equity compensation plans approved by security holders	2,514,150	$56.03	3,004,229*
Equity compensation plans not approved by security holders		- 0 -	- 0 -
Total	2,514,150	$56.03	3,004,229*

* All of these shares are available under the 2002 Plan. The 2002 Plan provides that the number of shares available is increased by the number of shares that must be purchased at a purchase price of not less than fair market value as a condition to the award of restricted stock. The 2002 Plan limits the number of shares awarded as restricted stock or deliverable under restricted stock units to 5,900,000 shares, of which 2,905,609 shares remained available at December 31, 2008.

Item 13. Certain Relationships and Related Transactions.

To the extent applicable, this information will be included in our Proxy Statement for the 2009 Annual Meeting of Shareholders, and is hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services.

This information will be included in our Proxy Statement for the 2009 Annual Meeting of Shareholders, and is hereby incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)

1. Financial statements. The following financial statements are filed in Item 8 of this annual report:

   Consolidated statements of operations for each of the three years in the period ended December 31, 2008

   Consolidated balance sheets at December 31, 2008 and 2007

   Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2008

   Consolidated statements of cash flows for each of the three years in the period ended December 31, 2008

   Notes to consolidated financial statements

   Report of independent registered public accounting firm

2. Financial statement schedules. The following financial statement schedules are filed as part of this Form 10-K and appear immediately following the signature page:

   Report of independent registered public accounting firm on financial statement schedules

   Schedules at and for the specified years in the three-year period ended December 31, 2008:

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

   Schedule II- Condensed financial information of Registrant

   Schedule IV- Reinsurance

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

3. Exhibits. The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item and, except as otherwise indicated in the next sentence, the Exhibits listed in such Index are filed as part of this Form 10-K. Exhibit 32 is not filed as part of this Form 10-K but accompanies this Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 2, 2009.

MGIC INVESTMENT CORPORATION

By

/s/ Curt S. Culver
Curt S. Culver
Chairman of the Board and
Chief Executive Officer

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

Name and Title

/s/ Curt S. Culver
Curt S. Culver
Chairman of the Board,
Chief Executive Officer and Director

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

/s/ Joseph J. Komanecki
Joseph J. Komanecki
Senior Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

/s/ James A. Abbott
James A. Abbott, Director

/s/ Karl E. Case
Karl E. Case, Director

/s/ David S. Engelman
David S. Engelman, Director

/s/ Thomas M. Hagerty
Thomas M. Hagerty, Director

/s/ Kenneth M. Jastrow
Kenneth M. Jastrow, II, Director

/s/ Daniel P. Kearney
Daniel P. Kearney, Director

/s/ Michael E. Lehman
Michael E. Lehman, Director

/s/ William A. McIntosh
William A. McIntosh, Director

/s/ Leslie M. Muma
Leslie M. Muma, Director

/s/ Donald T. Nicolaisen
Donald T. Nicolaisen, Director

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MGIC INVESTMENT CORPORATION
SCHEDULE I — SUMMARY OF INVESTMENTS -
OTHER THAN INVESTMENTS IN RELATED PARTIES

December 31, 2008

Type of Investment	Amortized Cost	Fair Value	Amount at which shown in the balance sheet
		(In thousands of dollars)	
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 168,917	$ 189,809	$ 189,809
States, municipalities and political subdivisions	6,401,903	6,305,940	6,305,940
Foreign governments	83,448	89,651	89,651
Public utilities	—	—	—
All other corporate bonds	466,422	457,503	457,503
Total fixed maturities	7,120,690	7,042,903	7,042,903
Equity securities:			
Common stocks:			
Industrial, miscellaneous and all other	2,778	2,633	2,633
Total equity securities	2,778	2,633	2,633
Total investments	$ 7,123,468	$ 7,045,536	$ 7,045,536

MGIC INVESTMENT CORPORATION

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS
PARENT COMPANY ONLY
December 31, 2008 and 2007

	2008	2007
	(In thousands of dollars)	
ASSETS		
Fixed maturities (amortized cost, 2008-$1,032; 2007-$262,445)	$ 1,032	$ 262,871
Cash and cash equivalents	393,851	26,266
Investment in subsidiaries, at equity in net assets	3,038,012	3,085,810
Accounts receivable — affiliates	1,303	1,799
Income taxes receivable — affiliates	9,082	10,845
Accrued investment income	403	963
Other assets	13,676	12,237
Total assets	$ 3,457,359	$ 3,400,791
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Short and long-term debt	$ 698,446	$ 798,211
Convertible debentures	375,593	—
Other liabilities	16,120	8,237
Total liabilities	1,090,159	806,448
Shareholders' equity		
Common stock, $1 par value, shares authorized 460,000,000; shares issued 2008 - 130,118,744; 2007 - 123,067,426; outstanding 2008 - 125,068,350 ; 2007 - 81,793,185	130,119	123,067
Paid-in capital	367,067	316,649
Treasury stock (shares at cost, 2008 - 5,050,394; 2007 - 41,274,241)	(276,873)	(2,266,364)
Accumulated other comprehensive income, net of tax	(106,789)	70,675
Retained earnings	2,253,676	4,350,316
Total shareholders' equity	2,367,200	2,594,343
Total liabilities and shareholders' equity	$ 3,457,359	$ 3,400,791

See accompanying supplementary notes to Parent Company condensed financial statements

MGIC INVESTMENT CORPORATION

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF OPERATIONS
PARENT COMPANY ONLY
For the Years Ended December 31, 2008, 2007 and 2006

	2008	2007	2006
		(In thousands of dollars)	
Revenues:			
Equity in undistributed net (loss) income of subsidiaries	$(617,813)	$(1,967,700)	$ 18,850
Dividends received from subsidiaries	170,000	320,000	570,001
Investment income, net of expenses	10,136	7,596	2,521
Realized investment gains, net	113	—	—
Other income	1,740	—	—
Total (losses) revenues	(435,824)	(1,640,104)	591,372
Expenses:			
Operating expenses	515	300	268
Interest expense	71,164	41,986	39,348
Total expenses	71,679	42,286	39,616
(Loss) income before tax	(507,503)	(1,682,390)	551,756
Provision (credit) for income tax	11,411	(12,372)	(12,983)
Net (loss) income	(518,914)	(1,670,018)	564,739
Other comprehensive (loss) income, net	(177,464)	4,886	(11,710)
Comprehensive (loss) income	$(696,378)	$(1,665,132)	$553,029

See accompanying supplementary notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF CASH FLOWS
PARENT COMPANY ONLY
For the Years Ended December 31, 2008, 2007 and 2006

	2008	2007	2006
		(In thousands of dollars)	
Cash flows from operating activities:			
Net (loss) income	$(518,914)	$(1,670,018)	$ 564,739
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Equity in undistributed net loss (income) of subsidiaries	617,813	1,967,700	(18,850)
Decrease (increase) in accounts receivable — affiliates	496	59	(907)
Decrease (increase) in income taxes receivable	1,763	(4,504)	994
Decrease (increase) in accrued investment income	560	(450)	(493)
(Increase) decrease in other assets	(1,439)	620	(562)
Increase (decrease) in other liabilities	7,883	(1,138)	299
Other	14,612	17,779	31,368
Net cash provided by operating activities	122,774	310,048	576,588
Cash flows from investing activities:			
Transactions with subsidiaries	(745,784)	(87,500)	(27,500)
Purchase of fixed maturities	(37,200)	(274,177)	(25,000)
Sale of fixed maturities	299,038	38,703	196
Net cash used in investing activities	(483,946)	(322,974)	(52,304)
Cash flows from financing activities:			
Dividends paid to shareholders	(8,159)	(63,819)	(85,495)
Proceeds from note payable	—	300,000	—
Proceeds from issuance of long-term debt	—	—	199,958
Repayment of long-term debt	(100,000)	(200,000)	—
Repayment of short-term debt	—	(87,110)	(110,908)
Net proceeds from convertible debentures	377,199	—	—
Proceeds from reissuance of treasury stock	383,959	1,484	1,677
Payments for repurchase of common stock	—	(75,659)	(385,629)
Common stock shares issued	75,758	2,098	18,100
Net cash provided by (used in) financing activities	728,757	(123,006)	(362,297)
Net increase (decrease) in cash and cash equivalents	367,585	(135,932)	161,987
Cash and cash equivalents at beginning of year	26,266	162,198	211
Cash and cash equivalents at end of year	$ 393,851	$ 26,266	$ 162,198

See accompanying supplementary notes to Parent Company condensed financial statements.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PARENT COMPANY ONLY

SUPPLEMENTARY NOTES

Note A

The accompanying Parent Company financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements appearing in Item 8 of this annual report.

Note B

Our insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that our insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. As a result of extraordinary dividends paid, MGIC cannot currently pay any dividends without regulatory approval. Our other insurance subsidiaries can pay $3.6 million of dividends without such regulatory approval.

In 2008, 2007 and 2006, we paid dividends of $8.2 million, $63.8 million and $85.5 million, respectively, or $0.075 per share in 2008, $0.775 per share in 2007 and $1.00 per share in 2006. In the fourth quarter of 2008, we suspended the payment of dividends.

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MGIC INVESTMENT CORPORATION

SCHEDULE IV — REINSURANCE

MORTGAGE INSURANCE PREMIUMS EARNED
Years Ended December 31, 2008, 2007 and 2006

	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
			(In thousands of dollars)		
2008	$ 1,601,610	$ 212,018	$ 3,588	$ 1,393,180	0.3%
2007	$ 1,430,964	$ 171,794	$ 3,220	$ 1,262,390	0.3%
2006	$ 1,327,270	$ 141,910	$ 2,049	$ 1,187,409	0.2%

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INDEX TO EXHIBITS

[Item 15(a)3]

Exhibit Number	Description of Exhibit
2.1	Securities Purchase Agreement, dated as of September 14, 2007, by and among, Mortgage Guaranty Insurance Corporation, Radian Guaranty Inc. and Sherman Capital LLC(1)
2.2	Securities Repurchase Agreement, between Sherman Financial Group LLC and Mortgage Guaranty Insurance Corporation, dated as of August 13, 2008.(2)
2.3	Credit Agreement, between Sherman Financial Group LLC and Mortgage Guaranty Insurance Corporation, dated as of August 13, 2008.(3)
3.1	Articles of Incorporation, as amended.(4)
3.2	Amended and Restated Bylaws(5)
4.1	Article 6 of the Articles of Incorporation (included within Exhibit 3.1)
4.2	Amended and Restated Bylaws (included as Exhibit 3.2)
4.3	Rights Agreement, dated as of July 22, 1999, between MGIC Investment Corporation and Firstar Bank Milwaukee, N.A., which includes as Exhibit A thereto the Form of Right Certificate and as Exhibit B thereto the Summary of Rights to Purchase Common shares(6)
4.3.1	First Amendment to Rights Agreement, dated as of October 28, 2002, between MGIC Investment Corporation and U.S. Bank National Association(7)
4.3.2	Second Amendment to Rights Agreement, dated as of October 28, 2002, between MGIC Investment Corporation and Wells Fargo Bank Minnesota, National Association (as successor Rights Agent to U.S. Bank National Association)(8)
4.3.3	Third Amendment to Rights Agreement, dated as of May 14, 2004, between MGIC Investment Corporation and Wells Fargo Bank Minnesota, National Association(9)
4.4	Indenture, dated as of October 15, 2000, between the MGIC Investment Corporation and Bank One Trust Company, National Association, as Trustee(10)
4.5	Five-Year Credit Agreement, dated as of March 31, 2005, between MGIC Investment Corporation and the lenders named therein(11)
4.5.1	Amendment No. 1 to Five-Year Credit Agreement, dated as of March 14, 2008, between MGIC Investment Corporation and the lenders named therein.(12)
4.5.2	Amendment No. 2 to Five-Year Credit Agreement, dated as of June 23, 2008, between MGIC Investment Corporation and the lenders named therein.(13)

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Exhibit Number	Description of Exhibit
4.6	Indenture, dated as of March 28, 2008 between U.S. Bank National Association, as trustee, and MGIC Investment Corporation.(14)
	[We are a party to various other agreements with respect to our long-term debt. These agreements are not being filed pursuant to Reg. S-K Item 602(b) (4) (iii) (A). We hereby agree to furnish a copy of such agreements to the Commission upon its request.]
10.1	Form of Stock Option Agreement under 2002 Stock Incentive Plan(15)
10.1.1	Form of Incorporated Terms to Stock Option Agreement under 2002 Stock Incentive Plan(16)
10.2	Form of Restricted Stock Agreement under 2002 Stock Incentive Plan(17)
10.2.1	Form of Incorporated Terms to Restricted Stock Agreement under 2002 Stock Incentive Plan(18)
10.2.2	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan(19)
10.2.3	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan(20)
10.2.4	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan(21)
10.2.5	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan(22)
10.2.6	Form of Restricted Stock and Restricted Stock Unit Agreement (for Directors)(23)
10.2.7	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement(24)
10.2.8	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted February 2008).(25)
10.2.9	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted February 2008).(26)
10.2.10	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (for Directors) (Adopted April 2008).(27)
10.2.11	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (for Directors) (Adopted April 2008).(28)
10.2.12	Amendment to Restricted Stock and Restricted Stock Unit Agreement, dated as of December 8, 2008, between MGIC Investment Corporation and Curt S. Culver
10.2.13	Form of Amendment to Certain Restricted Stock and Restricted Stock Unit Agreements, dated as of December 2, 2008, between MGIC Investment Corporation and Certain of its Officers
10.2.14	Form of Amendment to Certain Restricted Stock and Restricted Stock Unit Agreements, dated as of December 2, 2008, between MGIC Investment Corporation and its Directors
10.2.15	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted January 2009).
10.2.16	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted January 2009).

Exhibit Number	Description of Exhibit
10.3	MGIC Investment Corporation 1991 Stock Incentive Plan(29)
10.3.1	MGIC Investment Corporation 2002 Stock Incentive Plan, as amended(30)
10.4	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan.(31)
10.4.1	Form of Stock Option Agreement under 1991 Stock Incentive Plan(32)
10.4.2	Form of Incorporated Terms to Stock Option Agreement under 1991 Stock Incentive Plan(33)
10.5	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan(34)
10.5.1	Form of Restricted Stock Agreement under 1991 Stock Incentive Plan(35)
10.5.2	Form of Incorporated Terms to Restricted Stock Agreement under 1991 Stock Incentive Plan(36)
10.6	Executive Bonus Plan
10.7	Supplemental Executive Retirement Plan(37)
10.8	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors (As Amended in February 2009)
10.9	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors(38)
10.10	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors(39)
10.11.1	Form of Key Executive Employment and Severance Agreement
10.11.2	Form of Incorporated Terms to Key Executive Employment and Severance Agreement
10.12	Form of Agreement Not to Compete(40)
10.13	Amended and Restated Call Option Agreement, dated as of September 13, 2006, by and among the Company, Radian Guaranty, Inc., and Sherman Capital, L.L.C.(41)
11	Statement re: computation of per share earnings
21	Direct and Indirect Subsidiaries and Joint Venture
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of CEO under Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of CFO under Section 302 of Sarbanes-Oxley Act of 2002

Exhibit Number	Description of Exhibit
32	Certification of CEO and CFO under Section 906 of Sarbanes-Oxley Act of 2002 (as indicated in Item 15 of this Annual Report on Form 10-K, this Exhibit is not being "filed").
99.1	Mortgage Guaranty Insurance Corporation's "Flow" Master Insurance Policy and Declaration Page, Restated to Include Selected Endorsements.
99.2	Endorsement to Mortgage Guaranty Insurance Corporation's "Flow" Master Insurance Policy Applicable to Lenders with Delegated Underwriting Authority.

The following documents, identified in the footnote references above, are incorporated by reference, as indicated, to: our Annual Reports on Form 10-K for the years ended December 31, 1993, 1994, 1997, 1999, 2001, 2002, 2003, 2004, 2005 or 2006 (the "1993 10-K," "1994 10-K," "1997 10-K," "1999 10-K," "2001 10-K," "2002 10-K," "2004 10-K," "2005 10-K," and "2006 10-K" respectively); our Annual Report on Form 10-K/A for the year ended December 31, 2008 (the "2008 10-K/A"); our Quarterly Reports on Form 10-Q for the Quarters ended March 31, 2005 or 2008, June 30, 1994, 1998, 2007 or 2008 or September 30, 2004 (the "March 31, 2005 10-Q," "March 31, 2008 10-Q," "June 30, 1994 10-Q," "June 30, 1998 10-Q," "June 30, 2007 10-Q," "June 30, 2008 10-Q," and "September 30, 2004 10-Q," respectively); our registration Statement Form 8-A filed July 27, 1999 (the "8-A"), as amended by Amendment No. 1 filed October 29, 2002 (the "8-A/A-No. 1") and by Amendment No. 2 filed May 14, 2004 (the "8-A/A-No. 2"); our Current Reports on Form 8-K dated October 17, 2000 (the "October 2000 8-K"), February 1, 2005 (the "February 2005 8-K), January 31, 2006 (the "January 2006 8-K"), September 15, 2006 (the "September 2006 8-K") December 18, 2006 (the "December 2006 8-K"), September 20, 2007 (the "September 2007 8-K"), June 23, 2008 (the "June 2008 8-K"), August 13, 2008 (the "August 2008 8-K"); or to our Proxy Statement for our 2005 Annual Meeting of Shareholders (the "2005 Proxy Statement"). The documents are further identified by cross-reference to the Exhibits in the respective documents where they were originally filed.

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(1) Exhibit 2.1 to the September 2007 8-K.

(2) Exhibit 2.1 to the August 2008 8-K.

(3) Exhibit 2.2 to the August 2008 8-K.

(4) Exhibit 3.1 to the June 30, 2008 10-Q.

(5) Exhibit 3 to the December 2006 8-K.

(6) Exhibit 4.1 to the 8-A.

(7) Exhibit 4.2 to the 8-A/A-No. 1.

(8) Exhibit 4.3 to the 8-A/A-No. 1.

(9) Exhibit 4.4 to the 8-A/A-No. 2.

(10) Exhibit 4.1 to the October 2000 8-K.

(11) Exhibit 4.2 to the March 31, 2005 10-Q.

(12) Exhibit 4.5.1 to the 2008 10-K/A.

(13) Exhibit 4.5.2 to the June 2008 8-K.
(14) Exhibit 4.6 to the March 31, 2008 10-Q.
(15) Exhibit 10.1 to the 2002 10-K.
(16) Exhibit 10.1.1 to the 2002 10-K.
(17) Exhibit 10.2 to the 2002 10-K.
(18) Exhibit 10.2.1 to the 2002 10-K.
(19) Exhibit 10.2.1 to the 2005 10-K.
(20) Exhibit 10.2.2 to the 2005 10-K.
(21) Exhibit 10.2.4 to the 2006 10-K.
(22) Exhibit 10.2.5 to the 2006 10-K.
(23) Exhibit 10.2.4 to the 2004 10-K
(24) Exhibit 10.2.5 to the 2004 10-K.
(25) Exhibit 10.2.8 to the March 31, 2008 10-Q.
(26) Exhibit 10.2.9 to the March 31, 2008 10-Q.
(27) Exhibit 10.2.10 to the March 31, 2008 10-Q.
(28) Exhibit 10.2.11 to the March 31, 2008 10-Q.
(29) Exhibit 10.7 to the 1999 10-K.
(30) Exhibit B to the 2005 Proxy Statement.
(31) Exhibit 10.9 to the 1999 10-K.
(32) Exhibit 10.4.1 to the 2001 10-K.
(33) Exhibit 10.4.2 to the 2001 10-K.
(34) Exhibit 10.10 to the 1999 10-K.
(35) Exhibit 10.5.1 to the 2001 10-K.
(36) Exhibit 10.5.2 to the 2001 10-K.

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(37) Exhibit 10.7 to the June 30, 2007 10-Q.

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

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

(40) Exhibit 10.3 to the February 2005 8-K.

(41) Exhibit 1.2 to the September 2006 8-K.

Supplementary List of the Exhibits which relate to management contracts or compensatory plans or arrangements:

10.1 Form of Stock Option Agreement under 2002 Stock Incentive Plan

10.1.1 Form of Incorporated Terms to Stock Option Agreement under 2002 Stock Incentive Plan

10.2 Form of Restricted Stock Agreement under 2002 Stock Incentive Plan

10.2.1 Form of Incorporated Terms to Restricted Stock Agreement under 2002 Stock Incentive Plan

10.2.2 Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan

10.2.3 Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan

10.2.4 Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan

10.2.5 Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan

10.2.6 Form of Restricted Stock and Restricted Stock Unit Agreement (for Directors)

10.2.7 Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement

10.2.8 Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted February 2008)

10.2.9 Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted February 2008)

10.2.10 Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (for Directors) (Adopted April 2008)

10.2.11 Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (for Directors) (Adopted April 2008)

10.2.12 Amendment to Restricted Stock and Restricted Stock Unit Agreement, dated as of December 8, 2008, between MGIC Investment Corporation and Curt S. Culver

10.2.13	Form of Amendment to Certain Restricted Stock and Restricted Stock Unit Agreements, dated as of December 2, 2008, between MGIC Investment Corporation and Certain of its Officers
10.2.14	Form of Amendment to Certain Restricted Stock and Restricted Stock Unit Agreements, dated as of December 2, 2008, between MGIC Investment Corporation and its Directors
10.2.15	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted January 2009)
10.2.16	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted January 2009)
10.3	MGIC Investment Corporation 1991 Stock Incentive Plan
10.3.1	MGIC Investment Corporation 2002 Stock Incentive Plan, as amended
10.4	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan
10.4.1	Form of Stock Option Agreement under 1991 Stock Incentive Plan
10.4.2	Form of Incorporated Terms to Stock Option Agreement under 1991 Stock Incentive Plan
10.5	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan
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10.5.2	Form of Incorporated Terms to Restricted Stock Agreement under 1991 Stock Incentive Plan
10.6	Executive Bonus Plan
10.7	Supplemental Executive Retirement Plan
10.8	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors
10.9	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors
10.10	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors
10.11.1	Form of Key Executive Employment and Severance Agreement
10.11.2	Form of Incorporated Terms to Key Executive Employment and Severance Agreement
10.12	Form of Agreement Not to Compete

Exhibit 10.2.12

AMENDMENT TO RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT

THIS AMENDMENT TO RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT (the “Amendment”) is made and effective as of December 8, 2008.

WHEREAS, MGIC Investment Corporation, a Wisconsin corporation (the “Company”), and Curt S. Culver have entered into a Restricted Stock and Restricted Stock Unit Agreement dated January 26, 2005 (the “Agreement”).

NOW, THEREFORE, the Agreement is hereby amended in the manner set forth below:

1. Definition of Separation of Service. The phrase “, defined as a good-faith and complete termination of the relationship with the Company in accordance with Treasury Regulation 1.409A-1(h), which is incorporated herein by this reference” is hereby inserted after the words “separation of service” in the definition of the Restricted Stock Units Settlement Date that follows Mr. Culver’s signature in the Agreement.

2. Continuing Effect of the Agreement. Except as set forth above, the provisions of the Agreement are and shall remain in full force and effect. From and after the date hereof, all references made in the Agreement to “the Agreement” and “this Agreement” shall be a reference to the Agreement as amended by this Amendment.

3. Governing Law. This Amendment shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

IN WITNESS WHEREOF, the Company and Mr. Culver have caused this Amendment to be executed by its duly authorized officer.

MGIC INVESTMENT CORPORATION

By:	/s/ Ralph J. Gundrum	/s/ Curt S. Culver
Name:	Ralph J. Gundrum	Curt S. Culver
Title:	Assistant Secretary	

Exhibit 10.2.13

**AMENDMENT TO RESTRICTED STOCK
AND RESTRICTED STOCK UNIT AGREEMENT**

THIS AMENDMENT TO RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT (the "Amendment") is made and effective as of December 2, 2008.

WHEREAS, MGIC Investment Corporation, a Wisconsin corporation (the "Company"), and __________ have entered into certain Restricted Stock and Restricted Stock Unit Agreements. Under the Restricted Stock and Restricted Stock Unit Agreements entered into in 2005, 2006 and 2007 (the "Agreements"), the Company may amend the definition of Change in Control of the Company to conform the definition to Internal Revenue Code Section 409A. The changes to the Agreements made pursuant to this Amendment are being made in connection with the Company's right to so amend the Agreements.

NOW, THEREFORE, the Agreements are hereby amended in the manner set forth below:

1. Definition of Change in Control of the Company. The Agreements are hereby amended, with respect to Restricted Stock Unit awards subject to Internal Revenue Code Section 409A, to replace the existing definition of Change in Control of the Company with the definition of Change in Control of the Company included in the Restricted Stock and Restricted Stock Unit Agreements entered into by the Company and certain of its employees dated as of February 28, 2008 (the "2008 Agreements"). The definition of Change in Control of the Company included in the 2008 Agreements can be found in Exhibit 10.2.9 of the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission by the Company on May 12, 2008.

2. Continuing Effect of the Agreement. Except as set forth above, the provisions of the Agreements are and shall remain in full force and effect. From and after the date hereof, all references made in each Agreement to "the Agreement" and "this Agreement" shall be a reference to the Agreement as amended by this Amendment.

3. Governing Law. This Amendment shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer.

MGIC INVESTMENT CORPORATION

By: ______________________________
Name: Ralph J. Gundrum
Title: Assistant Secretary

Exhibit 10.2.14

AMENDMENT TO RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT

THIS AMENDMENT TO RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT (the "Amendment") is made and entered into as of the date indicated below under "Date of Agreement" by and between MGIC Investment Corporation, a Wisconsin corporation (the "Company"), and the director of MGIC Investment Corporation whose signature is set forth on the signature page hereto (the "Director").

WHEREAS, The Company and Director have entered into Restricted Stock and Restricted Stock Unit Agreements (the "Agreements"). Both the Company and the Director desire to amend the Agreements as set forth below.

NOW, THEREFORE, the Agreements are hereby amended in the manner set forth below:

1. Definition of Change in Control of the Company. The Agreements are hereby amended, with respect to Restricted Stock Unit awards subject to Internal Revenue Code Section 409A, to replace the existing definition of Change in Control of the Company with the definition of Change in Control of the Company included in the Restricted Stock and Restricted Stock Unit Agreements entered into by the Company and its directors dated as of February 28, 2008 (the "2008 Agreements"). The definition of Change in Control of the Company included in the 2008 Agreements can be found in Exhibit 10.2.11 of the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission by the Company on May 12, 2008.

2. Separation of Service. The second sentence in Section 9(d) of each of the Agreements is hereby deleted and replaced by the following sentence:

RSUs that have vested shall be settled by the delivery of one share of Stock for each RSU as promptly as practicable, and in no event more than 90 days after the Director ceases to be a Director of the Company and has a "separation from service" with the Company, defined as a good-faith and complete termination of the relationship with the Company in accordance with Treasury Regulation 1.409A-1(h), which is incorporated herein by this reference.

3. Gross-Up. The following will be added to the Agreements as a new Section 14(h):

(h) If any payment or benefit (or any acceleration of any payment or benefit) made or provided to the Director or for the Director's benefit in connection with this Agreement (the "Payments") are determined to be subject to the interest charges and taxes imposed by Section 409A(a)(1)(B) of the Code, or any state, local, or foreign taxes of a similar nature, or any interest charges or penalties with respect to such taxes (such taxes, together with any such interest charges and penalties, are collectively referred to as the "Section 409A Tax"), then the Company shall pay the Director, within 30 days after the date on which the Director provides the Company with a written request for reimbursement thereof (accompanied by proof of taxes paid), but in no event later than the end of the calendar year following the year in which the Director remits the Section 409A tax to the Internal Revenue Service or other applicable taxing authority, an additional amount (the

"Section 409A Gross-Up Payment"); *provided, however,* that any Section 409A Gross-Up Payment shall be reduced to the extent that the Section 409A Tax payable is due to the direct fault of the Director. The Section 409A Gross-Up Payment shall, subject to the proviso at the end of the previous sentence, be such that the net amount retained by the Director after deduction of the Section 409A Tax (but not any federal, state, or local income tax or employment tax) and any federal, state, or local income tax, or employment tax upon the payment provided for by this Subsection 14(h) shall be equal to the Payments. For purposes of determining the amount of the Section 409A Gross-Up Payment, the Director shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Section 409A Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Director's domicile for income tax purposes on the date the Section 409A Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. The Company and the Director shall reasonably cooperate with each other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Section 409A Tax with respect to the Payments, and the Director shall, if reasonably requested by the Company, contest any obligation to pay a Section 409A Tax for which a Section 409A Gross-Up Payment is owed. If, as a result thereof, the Director receives a tax refund or credit for any Section 409A Tax previously paid with respect to any Payments for which a Section 409A Gross-Up Payment was paid, the Director shall return to the Company an amount equal to such refund or credit.

4. Continuing Effect of the Agreement. Except as set forth above, the provisions of the Agreements are and shall remain in full force and effect. From and after the date hereof, all references made in each Agreement to "the Agreement" and "this Agreement" shall be a reference to the Agreement as amended by this Amendment.

5. Governing Law. This Amendment shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer, and the Director has hereunto affixed his or her hand and seal, all as of the day and year set forth below.

Date of Agreement: As of December 2, 2008

MGIC INVESTMENT CORPORATION

By: ______________________________	______________________________
Ralph J. Gundrum Assistant Secretary	[Name of Director]

RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT is made and entered into as of the date indicated on the signature page under "Date of Agreement" by and between MGIC Investment Corporation, a Wisconsin corporation (the "Company"), and the employee of Mortgage Guaranty Insurance Corporation, or one of its subsidiaries, whose signature is set forth on the signature page hereto (the "Employee").

INTRODUCTION

The Company is awarding shares of the Company's Common Stock, $1.00 par value per share (the "Stock"), and Restricted Stock Units to the Employee under the MGIC Investment Corporation 2002 Stock Incentive Plan (the "Plan") and this Agreement.

This Agreement consists of this instrument and the Incorporated Terms Dated As of ___________ to Restricted Stock and Restricted Stock Unit Agreement (the "Incorporated Terms"), which although not attached to this instrument, are part of this Agreement and were provided to the Employee as indicated in Paragraph 1(b) below.

The parties mutually agree as follows:

1. Award of Restricted Stock and RSUs; Incorporated Terms.

(a) Subject to the terms and conditions set forth herein, the Company awards the Employee (i) the number of shares of Stock as follows: the number of shares referred to after "Shares of Base Restricted Stock" on the signature page shall be the "Base Restricted Stock"; the number of shares referred to after "Shares of Matching Restricted Stock" on the signature page shall be the "Matching Restricted Stock"; and the number of shares referred to after "Shares of Time Vested Restricted Stock" shall be the "Time Vested Restricted Stock," except that if after "Time Vested Restricted Stock Units" on the signature page "Yes" appears, then all shares of Stock referred to after "Time Vested Restricted Stock" shall be awarded in the form of Restricted Stock Units (such Restricted Stock Units, the "Time Vested RSUs"); and (ii) the number of Restricted Stock Units equal to the number referred to after "Performance RSUs" shall be the "Performance RSUs." The term "Restricted Stock" as used in the remainder of this Agreement shall be applied separately to the Base Restricted Stock and the Matching Restricted Stock as if the term "Restricted Stock" were the term "Base Restricted Stock" or "Matching Restricted Stock," as the case may be. As used in this Agreement, the term "RSUs" means collectively all Time Vested RSUs and all Performance RSUs.

(b) The Incorporated Terms are incorporated in this instrument with the same effect as if they were physically set forth in this instrument. The Incorporated Terms and this instrument constitute a single agreement which is referred to as "this Agreement." The terms "herein," "hereof," "above" and similar terms used in this Agreement refer to this Agreement as a whole. The "Award Notification" is the document entitled "Officer Compensation" that was delivered to the Employee by the Company in ___________ to notify the Employee of the award of RSUs the legal terms of which are set forth in this Agreement. The Employee agrees if there is any difference between the number of RSUs determined by (i) the

Award Notification, as delivered to the Employee, and (ii) the number of RSUs awarded by the Committee, as reflected in the records of the Committee, the number of RSUs reflected in the records of the Committee shall control. The Incorporated Terms were attached to an email sent in __________ to the Employee from an Assistant Secretary of the Company which included other documents relating to the RSUs. The Company is hereby advising the Employee to print and retain a copy of the Incorporated Terms. The Employee agrees if there is any difference between the text of the Incorporated Terms obtained as indicated above and the text of the Incorporated Terms retained by the Company's Secretary, the text of the copy retained by the Secretary will control.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Employee has hereunto affixed his hand and seal, all as of the day and year set forth below.

Date of Agreement: As of __________

MGIC INVESTMENT CORPORATION

By: ____
Title: Assistant Secretary

Sign Here: ____ (SEAL)
Name:
Shares of Base Restricted Stock:
Shares of Matching Restricted Stock:
Time Vested Restricted Stock Units:

Performance Restricted Stock Units:

Base Restricted Stock Release Date:

Matching Restricted Stock Release Date:

Time Vested RSUs Release Date:

Performance RSUs Release Date:

Holding Period:

Threshold Expense Ratio:
Target Expense Ratio:

Maximum Expense Ratio:

Threshold Loss Ratio:
Target Loss Ratio:
Maximum Loss Ratio:

Threshold Share:
Target Share:
Maximum Share:

Goal:

* * * *

Beneficiary:______________________________________
Address of Beneficiary:

____

____

Beneficiary Tax Identification
No:____

Exhibit 10.2.16

INCORPORATED TERMS
DATED AS OF ____________________
TO
RESTRICTED STOCK AND
RESTRICTED STOCK UNIT AGREEMENT

The following are the “Incorporated Terms” referred to in the instrument entitled “Restricted Stock and Restricted Stock Unit Agreement” which refers to these Incorporated Terms and which has been signed by the Company and the Employee (the “Base Instrument”). The Incorporated Terms and the Base Instrument constitute a single agreement and that agreement consists of the Base Instrument and the Incorporated Terms. The Incorporated Terms dovetail with the Base Instrument; because the last paragraph of the Base Instrument is Paragraph 1, the Incorporated Terms begin with Paragraph 2.

2. Restrictions. (a) (i) Except as otherwise provided herein, the Base Restricted Stock, the Matching Restricted Stock, the Time Vested RSUs and the Performance RSUs and the may not be sold, transferred or otherwise alienated or hypothecated until, in the case of the Base Restricted Stock, the date set forth after “Base Restricted Stock Release Date” on the signature page; in the case of the Matching Restricted Stock, the date set forth after “Matching Restricted Stock Release Date” on the signature page; and in the case of the Time Vested RSUs and Performance RSUs, until the Release Date determined as follows.

(A) For each date set forth after “Time Vested RSUs Release Date” on the signature page, divide the number of shares referred to after “Time Vested Restricted Stock Units” by the sum of one and the difference between the latest year set forth after “Time Vested RSUs Release Date” on the signature page and the earliest year set forth thereafter. The resulting quotient, rounded down to the nearest whole RSU, is the number of Time Vested RSUs for which a Release Date shall occur on the corresponding date set forth after “Time Vested RSUs Release Date” and such date shall be the Release Date for such RSUs (and only for such RSUs), except that if after “Goal” on the signature page “Applicable” appears, then such date shall be a Release Date only if the condition set forth after “Goal” applicable to such Release Date is satisfied, provided that if such condition is not satisfied, the number of RSUs for which a Release Date did not occur as a result thereof (the “Unreleased RSUs”), shall be added to the number of RSUs for which a Release Date shall occur on the next date on which a Release Date occurs, and provided further that if on the last date set forth after “Time Vested RSUs Release Date” on the signature page, there are Unreleased RSUs, such RSUs shall be released on earliest of the next two anniversaries of such last date on which the condition set forth after “Goal” is satisfied and such anniversary shall be a Release Date.

(B) As used herein, “Combined Ratio” shall mean, for any year, the sum of the Incurred Loss Ratio and the Expense Ratio for such year, expressed as a percentage. “Incurred Loss Ratio” shall mean, for any year, the ratio, expressed as a percentage, of the Company’s direct losses incurred from primary NIW written that year to its direct premiums earned from primary NIW written that year, in each case as computed in accordance with Past Practices. “Expense Ratio” shall mean, for any year, the ratio, expressed as a percentage, of the underwriting and other expenses of the Company’s insurance company subsidiaries that year to

its net premiums written that year, in each case as computed in accordance with Past Practices. As used herein, “Past Practices” shall mean the manner in which the applicable item was calculated by the Company prior to the date of this Agreement.

(ii) The term “Release Date” shall be applied separately to the Base Restricted Stock, the Matching Restricted Stock, the Time Vested RSUs and the Performance RSUs as if the term “Release Date” were the term “Base Restricted Stock Release Date,” the term “Matching Restricted Stock Release Date,” the term “Time Vested RSUs Release Date,” or the “Performance RSUs Release Date,” as the case may be, and such application shall correspond to the application of the term “RSUs” as set forth in Paragraph 1(a) of the Base Instrument.

(b) (i) The Release Date for Performance RSUs shall be determined as follows. For each date set forth after “Performance RSUs Release Date” on the signature page, multiply the number referred to after “Performance RSUs” on the signature page by the product of (i) the Aggregate Percentage Achievement for the fiscal year of the Company ended on the December 31 immediately preceding such date and (ii) one-third. The resulting product, rounded down to the nearest whole RSU, is the number of Performance RSUs for which a Release Date shall occur on the corresponding date set forth after “Performance RSUs Release Date” and such date shall be the Release Date for such RSUs (and only for such RSUs); provided that the number of Performance RSUs for which a Release Date occurs shall in no event exceed the number of Performance RSUs that, when added together with Performance RSUs as to which a Release Date has previously occurred under this Agreement, equals the number set forth after “Performance Restricted Stock Units” on the signature page. The “Aggregate Percentage Achievement” for any year shall mean the sum of the Expense Ratio Achievement Percentage, the Loss Ratio Achievement Percentage and the Share Achievement Percentage for such year.

(ii) The “Expense Ratio Achievement Percentage” for any year shall be determined as follows:

(A) If the Company’s Expense Ratio for such year is equal to or higher than the Expense Ratio set forth after “Maximum Expense Ratio” on the signature page, then the Expense Ratio Achievement Percentage shall be 0%;

(B) If the Company’s Expense Ratio for such year is equal to the Expense Ratio set forth after “Target Expense Ratio” on the signature page, then the Expense Ratio Achievement Percentage shall be 33.34%;

(C) If the Company’s Expense Ratio for such year is equal to or lower than the Expense Ratio set forth after “Threshold Expense Ratio” on the signature page, then the Expense Ratio Achievement Percentage shall be 50%; and

(D) If the Company’s Expense Ratio for such year is between the Maximum Expense Ratio and the Target Expense Ratio, or between the Target Expense Ratio and the Threshold Expense Ratio, then the Expense Ratio Achievement Percentage shall be correspondingly interpolated on a linear basis between 0% and 33.34%, or between 33.34% and 50%, respectively.

(iii) The “Loss Ratio Achievement Percentage” for any year shall be determined as follows:

(A) If the Company’s Loss Ratio for such year is equal to or higher than the Loss Ratio set forth after “Maximum Loss Ratio” on the signature page, the Loss Ratio Achievement Percentage shall be 0%;

(B) If the Company’s Loss Ratio for such year is equal to the Loss Ratio set forth after “Target Expense Ratio” on the signature page, then the Loss Ratio Achievement Percentage shall be 33.33%;

(C) If the Company’s Loss Ratio for such year is equal to or lower than the Loss Ratio set forth after “Threshold Loss Ratio” on the signature page, then the Loss Ratio Achievement Percentage shall be 50%; and

(D) If the Company’s Loss Ratio for such year is between the Maximum Loss Ratio and the Target Loss Ratio, or between the Target Loss Ratio and the Threshold Loss Ratio, then the Loss Ratio Achievement Percentage shall be correspondingly interpolated on a linear basis between 0% and 33.33%, or between 33.33% and 50%, respectively.

“Loss Ratio” for any year shall mean the ratio, expressed as a percentage, of the Company’s direct losses incurred from primary NIW written that year to its direct premiums earned from primary NIW written that year, in each case as computed in accordance with Past Practices.

(iv) The “Share Achievement Percentage” for any year shall be determined as follows:

(A) If the Company’s Flow Market Share for such year is equal to or lower than the Flow Market Share set forth after “Threshold Share” on the signature page, then the Flow Market Share Achievement Percentage shall be 0%;

(B) If the Company’s Flow Market Share for such year is equal to the Flow Market Share set forth after “Target Share” on the signature page, then the Flow Market Share Achievement Percentage shall be 33.33%;

(C) If the Company’s Flow Market Share for such year is equal to or higher than the Flow Market Share set forth after “Maximum Share” on the signature page, then the Flow Market Share Achievement Percentage shall be 50%; and

(D) If the Company’s Flow Market Share for such year is between the Threshold Share and the Target Share, or between the Target Share and the Maximum Share, then the Flow Market Share Achievement Percentage shall be correspondingly interpolated on a linear basis between 0% and 33.33%, or between 33.33% and 50%, respectively.

“Flow Market Share” for any year shall mean the Company’s market share of the industry’s flow NIW for that year, expressed as a percentage, as reported by Inside Mortgage Finance (along

with any successor publication thereto, “Inside Mortgage Finance”); provided, however, that if Inside Mortgage Finance has not reported the foregoing by the end of the second business day preceding the Release Date, then “Flow Market Share” shall, for the applicable year, be calculated by the Company using data provided by Mortgage Insurance Companies of America (“MICA”) and data publicly reported by any company included in the calculation used by Inside Mortgage Finance as of the date of this Agreement, but not included (or, if applicable, not fully included) in the data provided by MICA.

(c) If all Time Vested RSUs set forth after “Time Vested Restricted Stock Units” on the signature page or if all Performance RSUs set forth after “Performance RSUs” on the signature page would have been released but for the provisions of this Agreement that round down RSUs to the nearest whole number, the number of RSUs released on the last Release Date shall be the RSUs awarded minus the RSUs that were previously released such that on such last Release Date the fractional RSUs that were not been released due to rounding shall be released.

(d) If by the end of the second business day preceding any date set forth after “Time Vested RSUs Release Date” on the signature page (or the next two anniversaries thereof in the circumstances contemplated by Paragraph 2(a)(i)(A) hereof) all of the information required by the Company to determine whether the Goal for the prior year was met is not available, or if by the end of the second business day preceding any date set forth after “Performance RSUs Release Date” on the signature page, all of the information required by the Company to determine the “Aggregate Percentage Achievement” is not available, then such date shall be two business days after the later of the date on which the information to make the determination is available and the date on which the Committee (as defined in Paragraph 6) certifies the Aggregate Percentage Achievement in accordance with the regulations under Section 162(m) of the Code.

3. Escrow. Shares of Restricted Stock shall be issued (in certificate or electronic form, at the discretion of the Company) as soon as practicable in the name of the Employee but shall be held in an escrow arrangement by the transfer agent for the Stock, as escrow agent. Unless forfeited as provided herein, Restricted Stock shall cease to be held in escrow and certificates for such Stock shall be delivered to the Employee, or in the case of his death, to his Beneficiary (as hereinafter defined) on the Release Date or upon any other termination of the restrictions imposed by Paragraph 2 hereof.

4. Transfer After Release Date; Securities Law Restrictions; Holding Period.

(a) Except as otherwise provided herein (including in Paragraph 4(b) below), Restricted Stock shall become free of the restrictions of Paragraph 2 and be freely transferable by the Employee on the Release Date. Notwithstanding the foregoing or anything to the contrary herein, the Employee agrees and acknowledges with respect to any Restricted Stock and any Stock delivered in settlement of RSUs that has not been registered under the Securities Act of 1933, as amended (the “Act”) (i) he will not sell or otherwise dispose of such Stock except pursuant to an effective registration statement under the Act and any applicable state securities laws, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and (ii) a legend will be placed on the certificates or other evidence for the Restricted Stock (or in the case of RSUs, any such Stock delivered in settlement) to such effect.

(b) If after “Holding Period” on the signature page “Applicable” appears, then the Employee agrees that, during the Holding Period, the Employee will not make a Sale of the Holding Period Shares. “Holding Period” means a period beginning on the Release Date and ending on the earlier of (i) the first anniversary of the Release Date and (ii) the first date on which the Employee is no longer subject to the reporting requirements of Section 16(a) of the Act (as such term is defined in the Annex). “Holding Period Shares” means a number of shares of Stock for which a Release Date shall occur that are released on such Release Date equal to the lesser of (1) 25% of the aggregate number of RSUs that are released on the Release Date and (2) 50% of the difference between (i) the aggregate number of RSUs that are released on the Release Date and (ii) the aggregate number of shares that are withheld to satisfy withholding tax requirements under Paragraph 10(b) of this Agreement. “Sale” means a transfer for value, except that, (i) the transfer to the Company of Holding Period Shares in payment of the exercise price of an option granted to the Employee by the Company shall not be a Sale if there is no Sale for the remainder of the Holding Period of a number of shares of Stock received upon exercise of such option that are not less than the number of Holding Period Shares so transferred in connection with such exercise, and (ii) an involuntary transfer, including Holding Period Shares converted in a merger, is not a Sale; it is understood that neither a pledge nor a gift, including to an entity in which the Employee has an interest (provided that in the case of such an entity, such entity does not make a Sale for the remainder of the Holding Period), is a transfer for value.

(c) If after “Holding Period” on the signature page “Applicable” appears, then the Employee agrees that, during the Holding Period (for purposes of applying such definition to this Paragraph 4(c), Release Date means each date on which the Option is exercised), the Employee will not make a Sale of the Option Holding Period Shares. “Option Holding Period Shares” means a number of shares of Stock acquired at each exercise of the Option equal to the lesser of (1) 25% of the aggregate number of shares for which the Option is exercised, and (2) 50% of the difference between (i) the aggregate number of shares for which the Option is exercised and (ii) the aggregate number of shares that are withheld from the shares delivered on such exercise to satisfy withholding tax requirements applicable to such exercise, except that the Option Holding Period Shares shall not exceed the number of shares for which the Option is exercised minus the sum of the number of shares that are withheld to satisfy withholding tax requirements under Paragraph 10(b) of this Agreement and the number of shares transferred to the Company in payment of the exercise price of the Option. The Option is the option granted to the Employee by the Company on January 28, 2004.

(d) Except as otherwise provided in the parenthetical in clause (ii) of the definition of Sale, if a transfer that is not a Sale occurs, the Holding Period for the shares involved in such transfer shall terminate at the time of such transfer.

5. Termination of Employment Due to Death. If the Employee’s employment with the Company or any of its subsidiaries is terminated because of death prior to the Release Date, (i) the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate on the date of death and such Restricted Stock shall be free of such restrictions and, except as otherwise provided in Paragraph 4 hereof, freely transferable, and (ii) a Release Date shall be deemed to have occurred for all RSUs.

6. Forfeiture of Restricted Stock and RSUs. (a) If the Employee's employment with the Company and all of its subsidiaries is terminated prior to the Release Date for any reason (including without limitation, disability or termination by the Company and all subsidiaries thereof, with or without cause) other than death, all Restricted Stock and all RSUs shall be forfeited to the Company on the date of such termination unless otherwise provided in subparagraph (b) below, or unless the Management Development, Nominating and Governance Committee of the Company's Board of Directors (the "Management Development Committee") or other Committee of such Board administering the Plan (the Management Development Committee or such other Committee is herein referred to as the "Committee") determines, on such terms and conditions, if any, as the Committee may impose, that all or a portion of the Restricted Stock and/or Stock deliverable on settlement of RSUs shall be released to the Employee and the restrictions of Paragraph 2 applicable thereto shall terminate. Absence of the Employee on leave approved by a duly elected officer of the Company, other than the Employee, shall not be considered a termination of employment during the period of such leave.

The Release Date for the Time Vested RSUs and the Performance RSUs may occur on multiple dates, each of which is a Release Date for the number of RSUs determined as provided in Paragraphs 2(a) and (b). Hence, any forfeiture of Time Vested RSUs or Performance RSUs applies only to the RSUs for which a Release Date had not yet occurred on the date of forfeiture. The preceding sentence has been included in this Agreement for the purpose of avoiding any doubt that the result described in the preceding sentence would occur; therefore, such result will occur under prior agreements awarding Performance Restricted Stock to the Employee even though a comparable provision is not included in such agreements.

(b) If the Employee's employment with the Company and all of its subsidiaries terminates by reason of retirement after reaching age 62 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven years, such retirement shall not result in forfeiture of any Time Vested RSUs or Performance RSUs (this provision does not apply to the Base or Matching Restricted Stock) if (1) the Employee's employment with the Company or one of its subsidiaries continues for no less than one year after the date of this Agreement, and (2) no later than the date on which employment terminates, the Employee enters into an agreement with the Company (which agreement shall be drafted by and acceptable to the Company) under which the Employee agrees not to compete with the Company and its subsidiaries during a period ending one year after the latest of the dates set forth after (i) "Time Vested RSUs Release Date" on the signature page, and (ii) "Performance RSUs Release Date" on the signature page, and the Employee complies with such agreement. If the Employee enters into such a non-competition agreement and thereafter breaches the terms thereof, the RSUs shall be forfeited and the Employee shall return to the Company any Stock awarded under this Agreement that was delivered to the Employee after the date on which such non-competition agreement was entered into. If the conditions in the second preceding sentence are satisfied and the Employee complies with the terms of such agreement, upon the Employee's death, the provisions of Paragraph 5 shall apply as if the Employee's employment with the Company and its subsidiaries terminated because of such death.

(c) Any (i) Performance RSUs for which a Release Date has not occurred by the latest date set forth after "Performance RSUs Release Date" on the signature page (as such date may be extended under Paragraph 2(d) hereof) and (ii) Time Vested RSUs for which a

Release Date does not occur because the condition set forth after “Goal” on the signature page is not satisfied by the second anniversary of the latest date set forth after “Time Vested RSUs Release Date” on the signature page (as such date may be extended under Paragraph 2(d) hereof), shall be forfeited to the Company, unless in the case of (i) and (ii) the Committee determines otherwise as contemplated in subparagraph (a) above.

(d) If Restricted Stock is forfeited, the Employee hereby appoints the Company, acting through any Vice President or more senior officer, as the Employee’s attorney-in-fact to transfer such forfeited Restricted Stock to the Company.

7. Beneficiary. (a) The person whose name appears on the signature page hereof after the caption “Beneficiary” or any successor designated by the Employee in accordance herewith (the person who is the Employee’s Beneficiary at the time of his death herein referred to as the “Beneficiary”) shall be entitled to receive the Restricted Stock to be released to the Beneficiary under Paragraphs 3 and 5 as a result of the death of the Employee and the Stock to be delivered in settlement of RSUs. The Employee may from time to time revoke or change his Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Employee’s death, and in no event shall any designation be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of an Employee’s death, or if no designated Beneficiary survives the Employee or if such designation conflicts with law, upon the death of the Employee, the Employee’s estate shall be entitled to receive the Restricted Stock and the Stock to be delivered in settlement of RSUs. If the Committee is in doubt as to the right of any person to receive such Restricted Stock or Stock to be delivered in settlement of RSUs, the Company may retain the same and any distributions thereon, without liability for any interest thereon, until the Committee determines the person entitled thereto, or the Company may deliver such all of such property and any distributions thereon to any court of appropriate jurisdiction and such delivery shall be a complete discharge of the liability of the Company therefor.

8. Stock Legends. (a) In addition to any legends placed on certificates for Restricted Stock, each certificate or other evidence for shares of Restricted Stock shall bear the following legend:

> “The sale or other transfer of these shares of stock, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the MGIC Investment Corporation 2002 Stock Incentive Plan and a Restricted Stock Agreement between MGIC Investment Corporation and the registered owner hereof. A copy of such Plan and such Agreement may be obtained from the Secretary of MGIC Investment Corporation.”

When the restrictions imposed by Paragraph 2 hereof terminate, the Employee shall be entitled to have the foregoing legend removed from such Stock.

(b) If after "Holding Period" on the signature page "Applicable" appears, at the option of the Company, an appropriate legend may be placed on certificates for Stock noting the requirements to hold such Stock imposed by Paragraphs 4(b) and (c) of this Agreement. When such requirements terminate, the Employee shall be entitled to have the foregoing legend removed from such certificates.

9. Voting Rights; Dividends and Other Distributions; Rights of RSUs. (a) While the Restricted Stock is subject to restrictions under Paragraph 2 and prior to any forfeiture thereof, the Employee may exercise full voting rights for the Restricted Stock.

(b) While the Restricted Stock is subject to the restrictions under Paragraph 2 and prior to any forfeiture thereof, the Employee shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in Stock, such shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid, including the requirement that Restricted Stock be held in escrow pursuant to Paragraph 3 hereof.

(c) Subject to the provisions of this Agreement, the Employee shall have, with respect to the Restricted Stock, all other rights of holders of Stock.

(d) RSUs represent only the right to receive as Stock, on the terms provided herein (i) the number of shares indicated after "Time Vested Restricted Stock" on the signature page and (ii) a number of shares equal to the number set forth after "Performance RSUs" on the signature page. Except to the extent forfeited as provided herein, on the RSU Settlement Date set forth on the signature page or determined as provided thereon, RSUs shall be settled by the issuance (or transfer from treasury) of shares of Stock and certificates for such Stock shall be delivered to the Employee, or in the case of his death, to his Beneficiary. The Employee with respect to RSUs shall have no rights as a holder of Stock, including the right to vote or to receive dividends, until certificates for such Stock are actually delivered in settlement of the RSUs. Notwithstanding the preceding sentence, (i) on the next Payroll Date (as defined below) after each date on which the Company pays a dividend in cash on the Stock, the Company shall make a payment in cash on the Time Vested RSUs that are outstanding on the record date for such dividend equal to the dividend that would have been paid on the number of shares indicated after "Time Vested Restricted Stock Units" on the signature page had such shares been outstanding, and (ii) to the extent Performance RSUs are released on a Release Date, the Company shall make a payment in cash equal to the aggregate amount that would have been paid as dividends on the shares of Stock issued or transferred in settlement if such shares had been outstanding on each dividend record date on and after the date of this Agreement and prior to the date on which such Shares are issued (or transferred from treasury). "Payroll Date" means a date on which the Company or a subsidiary makes a bi-weekly payment of wages to the Employee.

10. Tax Withholding. (a) It shall be a condition of the obligation of the Company to release from escrow Restricted Stock to the Employee or the Beneficiary or to deliver Stock in settlement of RSUs, and the Employee agrees, that the Employee shall pay to the Company upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state, or local income or other taxes

incurred by reason of the award of the Restricted Stock or RSUs, as a result of the termination of the restrictions on Restricted Stock hereunder or the delivery of Stock in settlement of RSUs.

(b) If the Employee does not make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the Restricted Stock awarded hereunder, and does not satisfy the withholding obligations prior to the Tax Date (as defined below) by paying sufficient cash to the Company or transferring ownership of a sufficient number of other shares of Stock to the Company as provided in Paragraph 10(c), then the withholding tax requirements arising from the termination of restrictions on the Restricted Stock or the settlement of RSUs in Stock shall be satisfied through a withholding by the Company of shares of Stock that would otherwise be delivered to the Employee. In such event, the Company shall withhold that number of shares of Restricted Stock otherwise deliverable to the Employee from escrow hereunder or that number of shares of Stock that would otherwise be delivered in settlement of RSUs, in each case, having a Fair Market Value (as such term is defined in the Plan) on the day prior to the Tax Date equal to the amount required to be withheld as a result of the termination of the restrictions on such Restricted Stock or as a result of the settlement of RSUs in Stock. As used herein, “Tax Date” means the date on which the Employee must include in his gross income for federal income tax purposes the fair market value of the Restricted Stock, or Stock delivered in settlement of the RSUs, over the purchase price therefor.

(c) If the Employee desires to use cash or other shares of Stock to satisfy the withholding obligations set forth above, the Employee must: (i) make an election to do so in writing on a form provided by the Company, (ii) deliver such election form to the Company by the deadline specified by the Company, and (iii) deliver to the company the required cash or other shares of Stock having a Fair Market Value on the Tax Date (as defined above) equal to the amount required to be withheld.

11. Adjustments in Event of Change in Stock or Fiscal Year. In the event of any change in the outstanding shares of Stock (“capital adjustment”) for any reason, including but not limited to, any stock splits, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event which, in the judgment of the Committee, could distort the implementation of the award of Restricted Stock or the award of RSUs or the realization of the objectives of such award, the Committee shall make such adjustments in the shares of Restricted Stock subject to this Agreement or in the shares deliverable on settlement of RSUs, or in the terms, conditions or restrictions of this Agreement as the Committee deems equitable, except that in the event of any stock split, reverse stock split, stock dividend, combination or reclassification of the Stock that occurs after the date of this Agreement (collectively, “future capital adjustment”), the number of RSUs shall be proportionally adjusted for any increase or decrease in the number of outstanding shares resulting from such future capital adjustment, any such adjustment rounded down to the next lower whole share. In addition, if the Company changes its fiscal year from a year ending December 31, the Committee may make such adjustments in the Time Vested RSUs Release Date and the Performance RSUs Release Date as set forth on the signature page as the Committee deems equitable.

12. Change in Control. If a “Change in Control of the Company” (as defined in the Annex attached hereto) occurs, notwithstanding anything herein, the restrictions of

Paragraph 2 applicable to the Restricted Stock shall terminate on the date of the Change in Control of the Company and a Release Date shall be deemed to have occurred for all RSUs. The Employee agrees that such Annex may be amended by the Company on one or more occasions without the consent or approval of the Employee if in the determination of the Committee such amendment is necessary or appropriate to conform the provisions of such Annex to Treasury Regulation 1.409A-1 et seq. or any position published by the IRS with respect to Section 409A of the Internal Revenue Code of 1986, as amended. The right of the Company to make such an amendment does not depend on whether the Restricted Stock or RSUs are subject to such Section but will enable the Company to have uniform provisions governing a change of control among all agreements having such change of control provisions, including those under which compensation is subject to such Section. Any such amendment will become effective upon notice to the Employee. The Company will seek to give the Employee notice of an amendment with reasonable promptness after the Committee has approved the amendment.

13. Powers of Company Not Affected; No Right to Continued Employment.

(a) The existence of the Restricted Stock or RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Restricted Stock or any Stock to be issued in settlement of RSUs or, in both cases, the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Agreement.

(b) Nothing herein contained shall confer upon the Employee any right to continue in the employment of the Company or any subsidiary or interfere with or limit in any way the right of the Company or any subsidiary to terminate the Employee's employment at any time, subject, however, to the provisions of any agreement of employment between the Company or any subsidiary and the Employee. The Employee acknowledges that a termination of his or her employment could occur at a time before which the restrictions referred to in Paragraph 2 above have lapsed, resulting in the forfeiture of the Restricted Stock and RSUs by the Employee, unless otherwise provided herein. In such event, the Employee will not be able to realize the value of the Restricted Stock or of the Stock that underlies the RSUs nor will the Employee be entitled to any compensation on account of such value.

14. Interpretation by Committee. The Employee agrees that any dispute or disagreement which may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Plan and any determination made by the Committee under this Agreement or the Plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive. Any such determination need not be uniform and may be made differently among Employees awarded Restricted Stock and RSUs.

15. Clawback. If and to the extent the Committee deems it appropriate for such payment to be made, each Covered Employee shall pay the Company an amount equal to the Excess Compensation. “Covered Employee” means an Employee who was a Section 16 Filer at an Affected Performance RSUs Release Date regardless of whether such Employee ceased to be a Section 16 Filer thereafter. “Section 16 Filer” is a person who is required to file reports under Section 16(a) of the Act as such requirement to so file is in effect at each Affected Performance RSUs Release Date. “Affected Performance RSUs Release Date” means each Performance RSUs Release Date on which, had a financial restatement that was made after such Performance RSUs Release Date been in effect at such Performance RSUs Release Date, the number of shares of Stock settled on account of Performance RSUs would have been lower. “Excess Compensation” means (i) the difference between the Income that was recognized by the Covered Employee on an Affected Performance RSUs Release Date and the Income that would have been recognized had the financial restatement referred to in the definition of Affected Performance RSUs Release Date then been in effect, except that such difference will be deemed to be zero for each Affected Performance RSUs Release Date prior to the date on which Covered Employee was a Section 16 Filer, plus (ii) the value of any deduction to which the Covered Employee is entitled on account of the payment to the Company required by this Paragraph 15. “Income” means income determined for federal income tax purposes minus the amount of federal, state and local income taxes and, to the extent applicable, the employee portion of Social Security and Medicaid payroll taxes, payable on account of such income. The amount of federal, state and local income taxes and the value of any deduction contemplated by clause (ii) of the second preceding sentence shall be computed by assuming that Income is taxed at the highest marginal rate, with such rate for any state and local income taxes appropriately adjusted to reflect the benefit of an itemized federal deduction for such taxes (if in the case of local taxes, such taxes are eligible for such a deduction), which adjustment shall be made by assuming that no reduction in such deduction on account of the Covered Employee’s adjusted gross income applies.

16. Miscellaneous. (a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) The waiver by the Company of any provision of this Agreement shall not operate or be construed to be a subsequent waiver of the same provision or waiver of any other provision hereof.

(c) The Restricted Stock and RSUs shall be deemed to have been awarded pursuant to the Plan and are subject to the terms and conditions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless specifically defined herein shall have the meaning ascribed to them in the Plan. A copy of the Plan is available on request of the Employee made in writing or by e-mail to the Company’s Secretary.

(d) Any notice, filing or delivery hereunder or with respect to Restricted Stock or RSUs shall be given to the Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 250 East Kilbourn Avenue, Milwaukee 53202, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Employee, the Beneficiary and the personal representative(s) and heirs of the Employee, except that the Employee may not transfer any interest in any Restricted Stock prior to the release of the restrictions imposed by Paragraph 2 nor may the Employee transfer any interest in any RSUs.

(f) As a condition to the grant of the Restricted Stock and RSUs, the Employee must execute an agreement not to compete in the form provided to the Employee by the Company.

(g) The Restricted Stock and Restricted Stock Unit Agreement, dated as of February 28, 2008, between the Company and the Employee is hereby amended to conform Paragraph 2(a)(i)(B) and Paragraph 2(c)(iii)(A) of such agreement to Paragraph 2(a)(i)(B) and Paragraph 2(b)(iii)(A), respectively, of this Agreement.

(h) If any payment or benefit (or any acceleration of any payment or benefit) made or provided to the Employee or for the Employee's benefit in connection with this Agreement or any other agreement between the Employee and the Company pursuant to which the Employee was awarded restricted stock, restricted stock units or stock options (the "Payments") are determined to be subject to the interest charges and taxes imposed by Section 409A(a)(1)(B) of the Internal Revenue Code of 1986, as amended, or any state, local, or foreign taxes of a similar nature, or any interest charges or penalties with respect to such taxes (such taxes, together with any such interest charges and penalties, are collectively referred to as the "Section 409A Tax"), then the Company shall pay the Employee, within 30 days after the date on which the Employee provides the Company with a written request for reimbursement thereof (accompanied by proof of taxes paid), but in no event later than the end of the calendar year following the year in which the Employee remits the Section 409A tax to the Internal Revenue Service or other applicable taxing authority, an additional amount (the "Section 409A Gross-Up Payment"); *provided, however,* that any Section 409A Gross-Up Payment shall be reduced to the extent that the Section 409A Tax payable is due to the direct fault of the Employee. The Section 409A Gross-Up Payment shall, subject to the proviso at the end of the previous sentence, be such that the net amount retained by the Employee after deduction of the Section 409A Tax (but not any federal, state, or local income tax or employment tax) and any federal, state, or local income tax, or employment tax upon the payment provided for by this Subsection 16(h) shall be equal to the Payments. For purposes of determining the amount of the Section 409A Gross-Up Payment, the Employee shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Section 409A Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Employee's domicile for income tax purposes on the date the Section 409A Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. The Company and the Employee shall reasonably cooperate with each other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Section 409A Tax with respect to the Payments, and the Employee shall, if reasonably

requested by the Company, contest any obligation to pay a Section 409A Tax for which a Section 409A Gross-Up Payment is owed. If, as a result thereof, the Employee receives a tax refund or credit for any Section 409A Tax previously paid with respect to any Payments for which a Section 409A Gross-Up Payment was paid, the Employee shall return to the Company an amount equal to such refund or credit.

The end of Paragraph 16 is the end of the Incorporated Terms. The remainder of the Agreement is contained in the Base Instrument.

ANNEX

Definition of "Change in Control of the Company" and Related Terms

1 Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing more than 50% of the total fair market value of the stock of the Company or representing 50% or more of the total voting power of the stock of the Company; or

(ii) during any 12 consecutive month period, the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on July 22, 1999 or initially appointed, elected or nominated by such majority vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least a majority of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of

shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets to a Person (in one transaction or a series of related transactions within any period of 12 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (c) a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company; or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding voting stock of the Company. It is understood that in no event shall a sale or disposition of assets be considered to be a sale of substantially all of the assets unless the assets sold or disposed of have a total gross fair market value of at least 40% of the total gross fair market value of all of the Company's assets immediately prior to such sale or disposition.

2 Related Definitions. For purposes of this Annex, the following terms, when capitalized, shall have the following meanings:

(i) Act. The term “Act” means the Securities Exchange Act of 1934, as amended.

(ii) Affiliate and Associate. The terms “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Act.

(iii) Beneficial Owner. A Person shall be deemed to be the “Beneficial Owner” of any securities:

(a) which such Person or any of such Person’s Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company’s Rights Agreement, dated as of July 22, 1999, between the Company and Wells Fargo Bank Minnesota, National Association (as successor Rights Agent), as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(b) which such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule l3d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; *provided, however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 2(iii)(b) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule l3D under the Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 2(iii)(b) above) or disposing of any voting securities of the Company.

(iv) Person. The term "Person" shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

(v) Stock. The term "stock" shall have the meaning contemplated by Treasury Regulation 1.409A-1 et seq.

Exhibit 10.6

Our Current Report on Form 8-K filed May 15, 2008 described the structure of our 162(m) bonus plan for our named executive officers. The Management Development, Nominating and Governance Committee of our Board of Directors has continued the structure of such bonus plan for 2009 as described in that Form 8-K. Under the bonus structure applicable to 2009, the performance target is based on our performance for 2009, and the non-objective corporate goals for the CEO's 2009 bonus address the same subjects as were addressed by the goals for 2008.

Exhibit 10.8

MGIC INVESTMENT CORPORATION
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

Section 1. Purpose

(a) 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) through establishing a mechanism for annual grants of share units to the Company’s Non-Employee Directors and to provide such directors with an opportunity to defer all or any portion of their compensation for services as a member of the Board of Directors of the Company that would otherwise be paid currently for payment upon death, disability, termination of services or a designated distribution date.

(b) Effective as of January 1, 2005, the Plan is divided into two components. The Plan, as in effect on October 3, 2004 (the “Predecessor Plan”), shall govern Share Accounts and Interest-Bearing Accounts as of December 31, 2004, including subsequent net changes in value and net earnings of such Accounts. The Predecessor Plan, as set forth in Appendix 1 of this Plan, governs all amounts considered by law to be deferred under the Plan prior to January 1, 2005, and not subject to Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”). If the Predecessor Plan is materially modified, within the meaning of Code Section 409A and the guidance thereunder, after October 3, 2004, the exemption from regulation by Code Section 409A may be lost.

(c) Effective as of January 1, 2005, the Plan is continued on a prospective basis, as set forth herein.

Section 2. Definitions

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

(a) “Administrator” shall mean the Compensation Committee.

(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) “Annual Grant” is defined in Section 4(a) hereof.

(d) “Annual Grant Notice” is defined in Section 4(c) hereof.

(e) “Annual Grant Share Units” is defined in Section 4(a) hereof.

(f) “Change in Control” is defined in the Annex attached hereto.

(g) “Commission” shall mean the United States Securities and Exchange Commission or any successor agency.

(h) “Committee Action” is defined in Section 4(b) hereof.

(i) “Common Stock” shall mean the common stock, $1.00 par value, of the Company.

(j) “Company” is defined in Section 1 hereof.

(k) “Compensation” shall mean those fees to which Non-Employee Directors are entitled for services rendered on the Board of Directors of the Company or any subsidiary or any committee of such Board or subsidiary, including attendance fees, fees for acting as committee chair or member, as well as annual retainer fees, but excluding the Annual Grant.

(l) “Compensation Committee” shall mean the Management Development, Nominating and Governance Committee of the Board of Directors of the Company or, if such committee shall cease to have oversight responsibility for the compensation of the Company’s Chief Executive Officer and other members of senior management, the committee of the of Board of Directors of the Company that succeeds the Management Development, Nominating and Governance Committee with respect to such oversight.

(m) “Disability” shall mean disability as set forth in Code Section 409A(a)(2)(C)(i).

(n) “Distribution Date” shall mean the first of the month following the earliest to occur of the following:

(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, provided the termination of service is a good-faith and complete termination of the relationship with the Company in accordance with Treasury Regulation 1.409A-1(h), which is incorporated herein by this reference.

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

(o) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

(p) “Interest-Bearing Account” is defined in Section 8 hereof.

(q) “Non-Employee Director” is defined in Section 5 hereof.

(r) “Notice” is defined in Section 6(a) hereof.

(s) “Plan” is defined in Section 1 hereof.

(t) “Plan Year” shall mean the calendar fiscal year of the Company.

(u) “Share Account” is defined in Section 7(a) hereof.

Section 3. Administration

(a) 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.

(b) The Plan is intended to comply with the provisions of Code Section 409A. The Company does not guarantee the tax treatment or tax consequences associated with any payment or benefit, including but not limited to consequences related to Code Section 409A. To the fullest possible extent permissible, the terms of this Plan shall be interpreted in a manner which avoids violation of Code Section 409A.

Section 4. Annual Grant of Share Units

(a) Each year, beginning in 2009, each Non-Employee Director shall receive a grant (an “Annual Grant”) of share units, but subject to the approval of the Annual Grant by the Compensation Committee. Each Annual Grant shall be made on a date and valued in an amount designated by the Compensation Committee. For each Annual Grant, the number of share units credited to each Non-Employee Director’s Share Account shall equal (i) the value of the Annual Grant divided by (ii) the closing price per share of the Common Stock as reported on the New York Stock Exchange on the date of the Annual Grant. The share units awarded pursuant to this Section 4 shall be referred to “Annual Grant Share Units.”

(b) Annual Grant Share Units granted to a Non-Employee Director shall vest as provided in the action of the Compensation Committee approving the Annual Grant (“Committee Action”).

For purposes of the Plan and each Committee Action, except as provided below in the last sentence of this paragraph, “retirement” of a Non-Employee Director means termination of service as a director of the Company, if (a) the Non-Employee Director at the time of termination was ineligible for continued service as a director under the Company’s retirement policy; or (b) the Non-Employee Director had served as a director of the Company for at least two years (except that such two-year period shall not apply to a retirement that occurs after a Change in Control) and such termination is (i) due to the Non-Employee Director’s taking a position with or providing services to a governmental, charitable or educational institution whose policies prohibit continued service on the Board of Directors of the Company; (ii) due to the fact

that continued service as a director would be a violation of law; or (iii) not due to the voluntary resignation or refusal to stand for reelection by the Non-Employee Director. It is understood that a termination of service as a director as a result of (i) failure to get a Majority Vote, as defined in the Company's Articles of Incorporation or (ii) any requirement under the Company's Corporate Governance Guidelines to offer to resign shall be described within clause (iii) of the immediately preceding sentence. In the case of any Annual Grant Notice that is delivered (or as provided in subsection (c)(i), deemed delivered) with respect to an Annual Grant during the calendar year in which such Annual Grant is made (such Notice is a "Same Year Notice"), (i) termination of service as director before the end of the vesting period shall be deemed to be retirement only if due to death or Disability and (ii) notwithstanding that service as a director continues after a Change in Control, the occurrence of a Change in Control shall be deemed to be retirement and a director shall be deemed to have ceased to be a director of the Company after Change in Control.

If a Non-Employee Director ceases to be a director of the Company for any reason other than retirement before the vesting date established in accordance with Section 4(b), the applicable Annual Grant Share Units shall be forfeited by the Non-Employee Director unless the forfeiture is waived by the Compensation Committee after considering the implications of such waiver under Section 409A of the Code.

(c) (i) Each Non-Employee Director shall elect, within the date or dates set forth in the Annual Grant Notice, the date or dates upon which Annual Grant Share Units shall be distributed. Such election shall be made by written notice to the Company in substantially the form attached hereto as Exhibit A ("Annual Grant Notice"). Each Annual Grant Notice shall be delivered to the Company as provided for in the applicable Committee Action. An Annual Grant Notice (including an Annual Grant Notice deemed delivered as provided in the next sentence and a Notice delivered as provided in clause (ii) below) is irrevocable with respect to the Annual Grant to which such Annual Grant Notice is effective and will remain in effect as to all future Annual Grants, except that if a Non-Employee Director delivers an Annual Grant Notice to the Administrator in connection with a subsequent Annual Grant and such Annual Grant Notice elects distribution on a date or dates that are different from the last Annual Grant Notice delivered (or deemed delivered as provided in the next sentence) to the Administrator in connection with a prior Annual Grant, such new Annual Grant Notice will apply to such subsequent Annual Grant and remain in effect as contemplated above. If no Annual Grant Notice is delivered by a Non-Employee Director to the Administrator in connection with the first Annual Grant to such Non-Employee Director, such Director shall be deemed to have delivered an Annual Grant Notice electing distribution in a single installment on the tenth business day after the vesting date provided in the Committee Action with respect to such Annual Grant.

(ii) Notwithstanding the election timing contemplated by clause (i) of subsection (c), any Non-Employee Director may deliver an Annual Grant Notice with respect to an Annual Grant for which there has not been any Committee Action to the Company's Secretary no later than December 31 of the year prior to the year in which there is Committee Action with respect to such Annual Grant.

(iii) In the case of any Same Year Notice, notwithstanding the date or dates on which the Annual Grant Share Units would otherwise be distributed, if retirement occurs during the vesting period, the date of distribution shall be the tenth business day after such retirement.

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 a Plan Year commencing on the first day of the Plan Year following the date such Non-Employee Director's deferral election is delivered to the Administrator. Any such deferral election shall be made by written notice to the Company in substantially the form attached hereto as Exhibit B ("Notice").

(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 Years and deferred amounts until a Non-Employee Director delivers an amended Notice to the Administrator 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 beginning after the date the amended Notice is delivered to the Administrator.

(c) The most recent Notice provided under this Plan, or the Predecessor Plan prior to January 1, 2005, shall be a Non-Employee Director's initial Notice under this Plan.

(d) If a newly-elected Non-Employee Director completes his or her initial Notice not later than thirty (30) days after the date of his or her election as Director, such Notice shall be effective as to Compensation earned for services performed on and after the first day of the first Plan Year quarter beginning after such Notice is delivered to the Administrator.

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 (i) Annual Grants pursuant to Section 4, (ii) except as set forth in Section 8(a), the Non-Employee Director's Notice and amended Notices, if any, and (iii) pursuant to this Plan. Non-Employee Directors shall have no rights as stockholders of the Company with respect to share units credited to their Share Accounts.

(b) At the end of each Plan Year quarter ending with the quarter ending December 31, 2008, 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 for such quarter designated in his or her then effective Notice to be deferred and 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.

(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. Notwithstanding any Notice and amended Notices, if any, effective on and after January 1, 2009 that include an election to have amounts credited to a Share Account, all such amounts shall be made credited to such Non-Employee Director's Interest-Bearing Account.

(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 for such quarter designated in his or her then effective Notice to be deferred and 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.

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 amounts associated with Annual Grant Share Units shall be distributed in accordance with the applicable Annual Grant Notice(s). All Distribution Date elections made by Non-Employee Directors are irrevocable; provided, however, that each Non-Employee Director who has an initial Notice on file with the Plan before

January 1, 2009, may, not later than December 31, 2008, designate a Distribution Date that shall supersede any previous designation of a Distribution Date. Such designation shall be irrevocable effective January 1, 2009.

(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 (other than amounts associated with Annual Grant Share Units, which shall be distributed in accordance with the applicable Annual Grant Notice(s)) 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, whether pursuant to a Notice or an Annual Grant Notice, 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. All designations of a form of payment shall be irrevocable; provided, however, that each Non-Employee Director who has an initial Notice on file with the Plan before January 1, 2009, may, not later than December 31, 2008, designate a form of payment that shall supersede any previous designation of a form of payment. Such designation shall be irrevocable effective January 1, 2009.

(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, excluding, for purposes of such pro rata calculations, the portion of the Share Accounts attributable to Annual Grants. When distributions are made from a Share Account, 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) 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.

(j) Tax Gross-up Payment. To the extent a Non-Employee Director becomes subject to the additional tax imposed on deferred compensation arrangements pursuant to Internal Revenue Code (“Code”) Section 409A as a result of any payment due under the Plan, the Company shall promptly reimburse the Non-Employee Director by paying to him or her an additional amount such that the net amount retained by the Non-Employee Director, after deduction of any additional taxes imposed under Code Section 409A on such payment and any federal, state and local income and other payroll taxes and additional tax imposed; provided, that the imposition of such additional taxes under Code Section 409A is not the direct or indirect result of any breach by the Non-Employee Director of any term of the Plan and provided further that the Non-Employee Director shall have cooperated with the Company to execute any amendment to the provisions of the Plan affecting him or her reasonably necessary to avoid the imposition of such tax, but only to the minimum extent necessary to avoid the application of such tax and only to the extent that the Non-Employee Director would not, as a result, suffer any overall reduction in the amounts otherwise payable to him or her under the Plan. Any payment by the Company pursuant to this Section 12(j) shall be made by the end of the Non-Employee Director’s taxable year next following the year in which the related taxes are remitted to the taxing authority or, if later, where the related taxes are the result of tax audit or litigation, by the later of the end of the Non-Employee Director’s taxable year next following the year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority or, if no taxes are to be remitted, the end of the Non-Employee Director’s taxable year next following the year in which the audit or litigation is completed.

Section 13. Effective Date of the Plan.

The Plan shall be effective as of January 1, 2005.

Exhibit A

NOTICE OF ELECTION REGARDING ANNUAL GRANTS

The undersigned, being a Non-Employee Director of MGIC Investment Corporation (the “Company”), hereby makes this election pursuant to the Company’s Deferred Compensation Plan for Non-Employee Directors (the “Deferred Compensation Plan”).

1. The undersigned elects to receive distributions related to his Annual Grants awarded as follows in (please check one):

o One lump-sum, payable on the tenth business day following the vesting date provided for in the applicable Committee Action

o 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 termination of the Non-Employee Director’s service as a member of the Board of Directors of the Company, as contemplated by Section 2(n)(iii) of the Plan, and continuing on the appropriate number of consecutive anniversaries of such date.

2. Designation of Beneficiary with respect to Annual Grants.

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.

____
Director

Date: ______________________________

Exhibit B

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:

1. Percentage of Directors’ Compensation to be deferred for services rendered during all Plan Years beginning after the date of this Notice. A newly eligible Director may make a mid-year election within 30 days of initial eligibility with respect to Fees earned after the date the election is provided to the Corporation. Please list percentage of fees you wish to defer and have credited to your Interest-Bearing Account:

___% Annual Retainer Fee ___% Board and Committee Fees

THIS ELECTION IS APPLICABLE TO DEFERRALS MADE AFTER THE CALENDAR YEAR IN WHICH THIS ELECTION IS MADE. THIS ELECTION DOES NOT APPLY TO DEFERRALS MADE BEFORE THAT DATE, IF ANY. IF YOU ARE CHANGING YOUR DEFERRAL PERCENTAGE PROSPECTIVELY, BUT DO NOT WISH TO CHANGE YOUR PAYMENT METHOD FOR SUBSEQUENT DEFERRALS FROM AN ELECTION CURRENTLY ON FILE, THEN DO NOT COMPLETE THIS SECTION.

2. Method by which Interest-Bearing Account balance(s) shall be paid. Please check one:

o One lump-sum, payable on first business day of the calendar month following the applicable Distribution Date

o 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.

3. Optional designation of a Distribution Date other than the first to occur of 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:

Other fixed Distribution Date: ______________________________

4. 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.

____
Director

Date: ______________________________

ANNEX

DEFINITION OF "CHANGE IN CONTROL OF THE COMPANY" AND RELATED TERMS

1 Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing more than 50% of the total fair market value of the stock of the Company or representing 50% or more of the total voting power of the stock of the Company; or

(ii) during any 12 consecutive month period, the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on July 22, 1999 or initially appointed, elected or nominated by such majority vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Plan until after such individuals are first nominated for election by a vote of at least a majority of the then Continuing Directors and are thereafter elected as

directors by the shareholders of the Company at a meeting of shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets to a Person (in one transaction or a series of related transactions within any period of 12 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (c) a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company; or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding voting stock of the Company. It is understood that in no event shall a sale or disposition of assets be considered to be a sale of substantially all of the assets unless the assets sold or disposed of have a total gross fair market value of at least 40% of the total gross fair market value of all of the Company's assets immediately prior to such sale or disposition.

2 Related Definitions. For purposes of this Annex, the following terms, when capitalized, shall have the following meanings:

(i) Act. The term “Act” means the Securities Exchange Act of 1934, as amended.

(ii) Affiliate and Associate. The terms “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Act.

(iii) Beneficial Owner. A Person shall be deemed to be the “Beneficial Owner” of any securities:

(a) which such Person or any of such Person’s Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company’s Rights Agreement, dated as of July 22, 1999, between the Company and Wells Fargo Bank Minnesota, National Association (as successor Rights Agent), as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(b) which such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule l3d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; *provided, however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 2(b) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule l3D under the Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person’s Affiliates or

Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 2(b) above) or disposing of any voting securities of the Company.

(iv) Person. The term “Person” shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

(v) Stock. The term “stock” shall have the meaning contemplated by Treasury Regulation 1.409A-1 et seq.

Appendix 1
No Significant Modification Permitted after October 3, 2004

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 in 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.

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

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

B. o 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.

KEY EXECUTIVE EMPLOYMENT AND SEVERANCE AGREEMENT

THIS AGREEMENT is made and entered into as of the 2nd day of December, 2008, by and between MGIC Investment Corporation, a Wisconsin corporation (hereinafter referred to as the "Company"), and the person whose name appears on the signature page hereof (hereinafter referred to as "Executive").

W I T N E S S E T H

WHEREAS, the Executive is employed by the Company and/or a subsidiary of the Company (hereinafter referred to collectively as the "Employer") in a key executive capacity and the Executive's services are valuable to the conduct of the business of the Company;

WHEREAS, the Company desires to continue to attract and retain dedicated and skilled management employees in a period of actual and potential industry consolidation and changes in regulatory barriers regarding the ownership of insurance companies, consistent with achieving a transaction in the best interests of its shareholders in any change in control of the Company;

WHEREAS, the Company recognizes that circumstances may arise in which a change in control of the Company occurs, through acquisition or otherwise, thereby causing a potential conflict of interest between the Company's needs for the Executive to remain focused on the Company's business and for the necessary continuity in management prior to and following a change in control, and the Executive's reasonable personal concerns regarding future employment with the Employer and economic protection in the event of loss of employment as a consequence of a change in control;

WHEREAS, the Company and the Executive are desirous that any proposal for a change in control or acquisition of the Company will be considered by the Executive objectively and with reference only to the best interests of the Company and its shareholders;

WHEREAS, the Executive will be in a better position to consider the Company's best interests if the Executive is afforded reasonable economic security, as provided in this Agreement, against altered conditions of employment which could result from any such change in control or acquisition;

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Company and has acquired certain confidential information and data with respect to the Company;

WHEREAS, the Company desires to insure, insofar as possible, that it will continue to have the benefit of the Executive's services and to protect its confidential information and goodwill; and

WHEREAS, this Agreement consists of this instrument and the Incorporated Terms Dated As of December 2, 2008 to Key Executive Employment and Severance Agreement (the "Incorporated Terms"), which although not attached to this instrument, are part of this Agreement and were provided to the Employee as indicated in Paragraph 1(b) below.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto mutually covenant and agree as follows:

1. Definition of KEESA Multipler; Incorporated Terms.

(a) The term “Multiplier” means two.

(b) The Incorporated Terms are incorporated in this instrument with the same effect as if they were physically set forth in this instrument. The Incorporated Terms and this instrument constitute a single agreement which is referred to as “this Agreement.” The terms “herein,” “hereof,” “above” and similar terms used in this Agreement refer to this Agreement as a whole. The Incorporated Terms were attached to an e-mail sent on or about December 2, 2008 to the Executive from Ralph Gundrum. The Company is hereby advising the Executive to print and retain a copy of the Incorporated Terms. The Executive agrees if there is any difference between the text of the Incorporated Terms obtained as indicated above and the text of the Incorporated Terms retained by the Company’s Secretary, the text of the copy retained by the Secretary will control.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

MGIC INVESTMENT CORPORATION

By: ______________________________

Name: Ralph J. Gundrum
Title: Assistant Secretary

EXECUTIVE:

____
[Name]

Address: ______________________________
____

Exhibit 10.11.2

INCORPORATED TERMS

DATED AS OF DECEMBER 2, 2008

TO

KEY EXECUTIVE EMPLOYMENT AND SEVERANCE AGREEMENT

The following are the "Incorporated Terms" referred to in the instrument entitled "Key Executive Employment and Severance Agreement" which refers to these Incorporated Terms and which has been signed by the Company and the Employee (the "Base Instrument"). The Incorporated Terms and the Base Instrument constitute a single agreement and that agreement consists of the Base Instrument and the Incorporated Terms. The Incorporated Terms dovetail with the Base Instrument; because the last section of the Base Instrument is Section 1, the Incorporated Terms begin with Section 2.

2. Definitions.

(a) 409A Affiliate. The term "409A Affiliate" means each entity that is required to be included in the Company's controlled group of corporations within the meaning of Section 414(b) of the Code, or that is under common control with the Company within the meaning of Section 414(c) of the Code; *provided, however,* that the phrase "at least 50%" shall be used in place of the phrase "at least 80%" each place it appears therein or in the regulations thereunder.

(b) Act. For purposes of this Agreement, the term "Act" means the Securities Exchange Act of 1934, as amended.

(c) Affiliate and Associate. For purposes of this Agreement, the terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Act.

(d) Beneficial Owner. For purposes of this Agreement, a Person shall be deemed to be the "Beneficial Owner" of any securities:

(i) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company's Rights Agreement, dated as of July 22, 1999, between the

Company and Firstar Bank Milwaukee, N.A., as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule l3d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; *provided*, *however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 2(d) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule l3D under the Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 2(d)(ii) above) or disposing of any voting securities of the Company.

(e) Cause. "Cause" for termination by the Employer of the Executive's employment shall, for purposes of this Agreement, be limited to (i) the engaging by the Executive in intentional conduct not taken in good faith which has caused demonstrable and serious financial injury to the Employer, as evidenced by a determination in a binding and final judgment, order or decree of a court or administrative agency of competent jurisdiction, in effect after exhaustion or lapse of all rights of appeal, in an action, suit or proceeding, whether civil, criminal, administrative or investigative; (ii) conviction of a felony (as evidenced by binding and final judgment, order or decree of a court of competent jurisdiction, in effect after exhaustion of all rights of appeal) which substantially impairs the Executive's ability to perform his duties or responsibilities; and (iii) continuing willful and unreasonable refusal by the Executive to perform the Executive's duties or responsibilities (unless significantly changed without the Executive's consent)

(f) Change in Control of the Company. A "Change in Control of the Company" shall mean the occurrence of any one of the following events:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities

acquired directly from the Company or its Affiliates after October 1, 2008, pursuant to express authorization by the Board of Directors of the Company (the “Board”) that refers to this exception) representing 50% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company’s then outstanding voting securities entitled to vote generally in the election of directors; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on October 1, 2008, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company), whose appointment or election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on October 1, 2008, or whose initial appointment, election or nomination for election as a director which occurred after October 1, 2008 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on October 1, 2008 or initially appointed, elected or nominated by such two-thirds (2/3) vote as described above ad infinitum (collectively the “Continuing Directors”); *provided, however,* that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least two-thirds (2/3) of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of shareholders held following consummation of such merger, consolidation, or share exchange; and, *provided further,* that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company), other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or

parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after October 1, 2008, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity of which at least 75% of the combined voting power of the voting securities entitled to vote generally in the election of directors immediately after such sale are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(g) Code. For purposes of this Agreement, the term "Code" means the Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

(h) Covered Termination. Subject to Subsection 3(b) hereof, for purposes of this Agreement, the term "Covered Termination" means any Termination of Employment during the Employment Period where the Notice of Termination is delivered on, or the Termination Date is, any date prior to the end of the Employment Period.

(i) Employment Period. Subject to Subsection 3(b) hereof, for purposes of this Agreement, the term "Employment Period" means a period commencing on the date of a Change in Control of the Company, and ending at 11:59 p.m. Central Time on the earlier of the third anniversary of such date or the Executive's Normal Retirement Date.

(j) Good Reason. For purposes of this Agreement, the Executive shall have "Good Reason" for Termination of Employment in the event of:

(i) A material diminution in the Executive's annual base salary;

(ii) A material diminution in the Executive's authority, duties, or responsibilities;

(iii) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report, including a requirement that the Executive report to a corporate officer or employee instead of reporting directly to the Board of Directors of the Employer.

(iv) A material diminution in the budget over which the Executive retains authority.

(v) Any other action or inaction that constitutes a material breach by the Employer of this Agreement.

Good Reason shall not exist for a Termination of Employment unless the Executive provides notice to the Employer of the existence of the condition described in (i) through (v) above within a period not to exceed 90 days of the initial existence of the condition, upon which the Employer has thirty days during which it may remedy the condition and not be required to pay the Termination Payment.

(k) MGIC. For purposes of this Agreement, the term "MGIC" means Mortgage Guaranty Insurance Corporation.

(l) Normal Retirement Date. For purposes of this Agreement, the term "Normal Retirement Date" means the date on which the Executive can retire from service with the Employer and commence receiving retirement payments within 31 days thereafter, without any reduction in such payments on account of early retirement, under the primary qualified defined benefit pension plan applicable to the Executive, or any successor plan, as in effect on the date of the Change in Control of the Company.

(m) Person. For purposes of this Agreement, the term "Person" shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

(n) Prime. "Prime" means the rate of interest announced by U.S. Bank, National Association, Milwaukee, Wisconsin, from time to time as its prime or base lending rate, such rate to be determined on the Termination Date.

(o) Termination Date. Except as otherwise provided in Subsection 3(b), Subsection 11(b), and Subsection 18(a) hereof, the term "Termination Date" means (i) if the Executive's Termination of Employment is by the Executive's death, the date of death; (ii) if the Executive's Termination of Employment is by reason of voluntary early retirement, as agreed in writing by the Employer and the Executive, the date of such early retirement which is set forth in such written agreement; (iii) if the Termination of Employment is by reason of disability pursuant to Section 13 hereof, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period; (iv) if the Termination of Employment is by the Executive voluntarily (other than for Good Reason), the date the Notice of Termination is given; (v) if the Termination of Employment is by the Employer for Cause, the earlier of ten days after the Notice of Termination is given or one day prior to the end of the Employment Period; and (vi) if the Executive's Termination of Employment is by the Employer (other than for Cause or by reason of disability pursuant to Section 13 hereof) or by the Executive for Good Reason, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period. Notwithstanding the foregoing,

(1) If termination is for Cause pursuant to Subsection 2(e)(iii) of this Agreement and if the Executive has cured the conduct constituting such Cause as described by the Employer in its Notice of Termination within such ten-day or shorter period, then the Executive's employment hereunder shall continue as if the Employer had not delivered its Notice of Termination;

provided, *however*, the right of the Executive to cure such conduct shall apply only to the first Notice of Termination indicating that the termination is for Cause.

(2) If the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination within the appropriate period following receipt thereof and it is finally determined that the reason asserted in such Notice of Termination did not exist, then (i) if such Notice was delivered by the Executive, the Executive will be deemed to have voluntarily terminated his employment and the Termination Date shall be the earlier of the date fifteen days after the Notice of Termination is given or one day prior to the end of the Employment Period and (ii) if delivered by the Company, the Company will be deemed to have terminated the Executive other than by reason of death, disability or Cause.

(p) Termination of Employment. For purposes of this Agreement, the Executive's Termination of Employment shall be presumed to occur (A) when the Company and Executive reasonably anticipate that no further services will be performed by the Executive for the Company and its 409A Affiliates or that the level of bona fide services the Executive will perform as an employee of the Company and its 409A Affiliates will permanently decrease to no more than 20% of the average level of bona fide services performed by the Executive (whether as an employee or independent contractor) for the Company and its 409A Affiliates over the immediately preceding 36-month period (or such lesser period of services) or (B) when the Company determines in good faith based on the facts and circumstances in accordance with Code Section 409A, upon a decrease in services by the Executive that is no more than 20% of such average level of bona fide services but less than 50%, that a Termination of Employment has occurred. The Executive's Termination of Employment shall be presumed not to occur where the level of bona fide services performed by the Executive for the Company and its 409A Affiliates continues at a level that is 50% or more of the average level bona fide services performed by the Executive (whether as an employee or independent contractor) for the Company and its 409A Affiliates over the immediately preceding 36-month period (or such lesser period of service). No presumption applies to a decrease in services that is more than 20% but less than 50%, and in such event, whether the Executive has had a Termination of Employment will be determined in good faith by the Company based on the facts and circumstances in accordance with Code Section 409A. Notwithstanding the foregoing, if Executive takes a leave of absence for purposes of military leave, sick leave or other bona fide leave of absence, the Executive will not be deemed to have incurred a Termination of Employment for the first six months of the leave of absence, or if longer, for so long as the Executive's right to reemployment is provided either by statute or by contract, including this Agreement; *provided* that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to twenty-nine months without causing a Termination of Employment. No Termination of Employment shall be deemed to have occurred under this Agreement unless there has been a "separation from service" as defined under Code Section 409A and Termination of Employment shall be construed to mean "separation from service" as so defined.

3. Termination or Cancellation Prior to Change in Control.

(a) Subject to Subsection 3(b) hereof, the Employer and the Executive shall each retain the right to terminate the employment of the Executive at any time prior to a Change in Control of the Company. Subject to Subsection 3(b) hereof, in the event the Executive's employment is terminated prior to a Change in Control of the Company, this Agreement shall be terminated and cancelled and of no further force and effect, and any and all rights and obligations of the parties hereunder shall cease.

(b) Anything in this Agreement to the contrary notwithstanding, if a Change in Control of the Company occurs and if the Executive's employment with the Employer is terminated (other than a termination due to the Executive's death or as a result of the Executive's disability) during the period of 90 days prior to the date on which the Change in Control of the Company occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control of the Company or (ii) was by the Executive for Good Reason or was by the Employer for other than Cause and otherwise arose in connection with or in anticipation of a Change in Control of the Company, then for all purposes of this Agreement such termination of employment shall be deemed a "Covered Termination," "Notice of Termination" shall be deemed to have been given, and the "Employment Period" shall be deemed to have begun on the date of such termination which shall be deemed to be the "Termination Date" and the date of the Change of Control of the Company for purposes of this Agreement.

4. Employment Period; Vesting of Certain Benefits. If a Change in Control of the Company occurs when the Executive is employed by the Employer, (a) the Employer will continue thereafter to employ the Executive during the Employment Period, and the Executive will remain in the employ of the Employer in accordance with and subject to the terms and provisions of this Agreement, and (b) (i) the Company shall cause all restrictions on restricted stock awards made to the Executive prior to the Change in Control to lapse such that the Executive is fully and immediately vested in his or her restricted stock at the time at which the Change in Control of the Company occurs, and (ii) the Company shall cause all unexercised stock options granted to the Executive prior to the Change in Control to be fully vested and exercisable in full at such time. Any Termination of Employment of the Executive during the Employment Period, whether by the Company or the Employer, shall be deemed a Termination of Employment by the Company for purposes of this Agreement.

5. Duties. During the Employment Period, the Executive (a) shall devote the Executive's best efforts and all of the Executive's business time, attention and skill to the business and affairs of the Employer and (b) shall be entitled to materially the same job function as held by the Executive at the time of the Change in Control of the Company or in such other job function or functions as shall be mutually agreed upon in writing by the Executive and the Employer from time to time. The services which are to be performed by the Executive hereunder are to be rendered in the same metropolitan area in which the Executive was employed at the date of such Change in Control of the Company, or in such other place or places as shall be mutually agreed upon in writing by the Executive and the Employer from time to time. Any travel incident to the Executive's job function shall not be deemed to result in a breach of the immediately preceding sentence by the Company.

6. Compensation. During the Employment Period, the Executive shall be compensated as follows:

(a) The Executive shall receive, at reasonable intervals (but not less often than monthly) and in accordance with such standard policies as may be in effect immediately prior to the Change in Control of the Company, an annual base salary in cash equivalent of not less than the Executive's highest annual base salary in effect at any time during the 90-day period immediately prior to the Change in Control of the Company, or if prior to the Change in Control of the Company, the Employer had approved an increase in such base salary to take effect after the Change in Control of the Company, at such higher rate beginning on the date on which such increase was to take effect (determined prior to any reduction for amounts deferred under Section 401(k) of the Code or otherwise, or deducted pursuant to a cafeteria plan or qualified transportation benefit under Sections 125 and 132(f) of the Code), subject to adjustment as hereinafter provided in Section 7 (such salary amount as adjusted upward from time to time is hereafter referred to as the "Annual Base Salary").

(b) The Executive shall be reimbursed, at such intervals and in accordance with such standard policies that were in effect at any time during the 90-day period immediately prior to the Change in Control of the Company, for any and all monies advanced in connection with the Executive's employment for reasonable and necessary expenses incurred by the Executive on behalf of the Employer, including travel expenses.

(c) The Executive and/or the Executive's family, as the case may be, shall be included, to the extent eligible thereunder (which eligibility shall not be conditioned on the Executive's salary grade or on any other requirement which excludes persons of comparable status to the Executive unless such exclusion was in effect for such plan or an equivalent plan at any time during the 90-day period immediately prior to the Change in Control of the Company), in any and all plans providing benefits for the Employer's salaried employees in general, including but not limited to group life insurance, hospitalization, medical, dental, profit sharing and stock bonus plans.

(d) The Executive shall annually be entitled to not less than the amount of paid vacation and not fewer than the highest number of paid holidays to which the Executive was entitled annually at any time during the 90-day period immediately prior to the Change in Control of the Company.

(e) The Executive shall be included in all plans providing additional benefits to executives of the Employer of comparable status and position to the Executive, including but not limited to deferred compensation, split-dollar life insurance, supplemental retirement, stock option, stock appreciation, stock bonus and similar or comparable plans, and shall receive fringe benefits made available to executives of the Employer of comparable status and position to the Executive; *provided*, that the Employer's obligation to include the Executive in bonus or incentive compensation plans shall be determined by Subsection 6(g) hereof.

(f) The aggregate annual value of the benefits made available to the Executive pursuant to Subsections 6(c) and (e) shall not be less than 75% of the highest aggregate annual value of the benefits of the type referred to in such Subsections that were made available to the Executive at any time during the 90-day period immediately prior to the Change in Control of the Company, except that if executives based in the United States of Affiliated Companies whose status and position with such Companies are approximately comparable to the Executive do not generally receive stock options, restricted stock or other stock-based compensation, during any period in which the Executive does not receive such benefits, (i) the highest aggregate value of the benefits during such 90-day period shall be computed without regard the value of stock options, restricted stock or other stock-based compensation, and (ii) the percentage in the preceding portion of this sentence

shall be increased to 100% from 75%. The term “Affiliated Companies” means companies that become Affiliates of the Employer as a result of the Change in Control of the Company.

(g) (i) To assure that the Executive will have an opportunity to earn annual incentive compensation after a Change in Control of the Company, the Executive shall be included in a bonus plan of the Employer which shall satisfy the standards described below (such plan, the “Post-Change Bonus Plan”). Bonuses under the Post-Change Bonus Plan shall be payable annually with respect to achieving such annual financial or other goals reasonably related to the business of the Employer (or, in the case of an Executive whose primary responsibility is sales of the products of the Employer or an Affiliate, to the extent so provided by the Employer or the Affiliate, reasonably related to such sales) as the Employer shall establish (the “Goals”), all of which Goals that are determinable under objective standards shall be attainable on an annual basis with approximately the same degree of probability as the comparable goals under the Employer’s bonus plan or plans as in effect at any time during the 90-day period immediately prior to the Change in Control of the Company (whether one or more, the “Pre-Change Company Bonus Plan”) and in view of the Employer’s existing and projected financial and business circumstances applicable at the time. The determination of whether any of the Goals that are determinable under subjective standards has been achieved shall be made by the Compensation Committee (as hereinafter defined). In the event a majority of the members of the Compensation Committee are not persons who were on the Compensation Committee or were officers of MGIC during the 90-day period prior to the date of the Change in Control of the Company or the highest ranking member of the Compensation Committee is not a person who was on the Compensation Committee during such 90-day period, none of the Goals shall be subjective. The term “Compensation Committee” means the Board of Directors of the Company, an appropriate committee thereof or a committee comprised of members of management of the Employer, in each case, in accordance with the Company’s practice prior to the Change in Control of the Company with respect to executives of comparable position to the Executive.

(g) (ii) The maximum amount of the bonus (the “Bonus Amount”) that the Executive is eligible to earn under the Post-Change Bonus Plan shall be no less than the product of the Executive’s Annual Base Salary multiplied by a percentage that is at least 75% of the percentage that determined the Executive’s maximum award provided in the Pre-Change Company Bonus Plan (such maximum bonus amount herein referred to as the “Targeted Bonus”), and in the event the Goals (other than any objective Goal) are not achieved such that the entire Targeted Bonus is not payable, the Bonus Plan shall provide for a payment of a Bonus Amount equal to a portion of the Targeted Bonus reasonably related to that portion of the Goals which were achieved. The Bonus Amount earned shall be paid within 75 days after the end of the related fiscal year; at the option of the Employer, up to one-third of the Bonus Amount may be paid in restricted stock if the class of stock of which such restricted stock is a part is publicly-traded in an active market in the United States and such stock becomes fully vested by continued employment for a period of not more than one year after the date on which the Bonus Amount is paid.

7. Annual Compensation Adjustments. During the Employment Period, the Compensation Committee (as defined in Subsection 6(g)(i) hereof) will consider and appraise, annually, the contributions of the Executive to the Company, and in accordance with the Company’s practice prior to the Change in Control of the Company, good faith consideration shall be given to the upward adjustment of the Executive’s Annual Base Salary, annually.

8. Termination for Cause or Without Good Reason. If there is a Covered Termination for Cause or due to the Executive’s voluntarily terminating his or her employment other

than for Good Reason (any such terminations to be subject to the procedures set forth in Section 14 hereof), then the Executive shall be entitled to receive only Accrued Benefits pursuant to Subsection 10(a) hereof.

9. Termination Giving Rise to a Termination Payment.

(a) If there is a Covered Termination by the Executive for Good Reason, or by the Company other than by reason of (i) death, (ii) disability pursuant to Section 13 hereof, or (iii) Cause (any such terminations to be subject to the procedures set forth in Section 14 hereof), then the Executive shall be entitled to receive, and the Company shall promptly pay, Accrued Benefits and, in lieu of further Annual Base Salary for periods following the Termination Date, as liquidated damages and additional severance pay and in consideration of the covenant of the Executive set forth in Subsection 15(a) hereof, the Termination Payment pursuant to Subsection 10(b) hereof.

(b) If there is a Covered Termination and the Executive is entitled to Accrued Benefits and the Termination Payment, then the Company shall provide to the Executive the following additional benefits:

(i) The Executive shall receive until the end of the second calendar year following the calendar year in which the Executive's Termination of Employment occurs, at the expense of the Company, outplacement services, on an individualized basis at a level of service commensurate with the Executive's status with the Company immediately prior to the date of the Change in Control of the Company (or, if higher, immediately prior to the Executive's Termination of Employment), provided by a nationally recognized executive placement firm selected by the Company; *provided* that the cost to the Company of such services shall not exceed 10% of the Executive's Annual Base Salary.

(ii) Until the earlier of the end of the Employment Period or such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the expense of the Company, by the same or equivalent life insurance, hospitalization, medical and dental coverage as was required hereunder with respect to the Executive immediately prior to the date the Notice of Termination is given, subject to the following:

(A) If applicable, following the end of the COBRA continuation period, if such hospitalization, medical or dental coverage is provided under a health plan that is subject to Section 105(h) of the Code, benefits payable under such health plan shall comply with the requirements of Treasury regulation section 1.409A-3(i)(1)(iv)(A) and (B) and, if necessary, the Company shall amend such health plan to comply therewith.

(B) During the first six months following the Executive's Termination Date, the Executive shall pay the

Company for any life insurance coverage that provides a benefit in excess of $50,000 under a group term life insurance policy. After the end of such six month period, the Company shall make a cash payment to the Executive equal to the aggregate premiums paid by the Executive for such coverage, and thereafter such coverage shall be provided at the expense of the Company for the remainder of the period.

If the Executive is entitled to the Termination Payment pursuant to Subsection 3(b), within ten days following the Change of Control, the Company shall reimburse the Executive for any COBRA premiums the Executive paid for his or her hospitalization, medical and dental coverage under COBRA from the Executive's Termination Date through the date of the Change of Control.

(iii) The Company shall cause the Executive to be fully and immediately vested in his or her accrued benefit under any supplemental executive retirement plan of the Employer providing benefits for the Executive (the "SERP") and in any restricted stock paid as part of the Executive's Bonus Amount as contemplated by Subsection 6(g)(ii).

(iv) If the Executive is not fully vested in all accrued benefits under any defined contribution retirement plan of the Employer, the Company shall make a lump sum payment to the Executive in an amount equal to the difference between the fully vested amount of the Executive's account balances under such plan at the Termination Date and the vested amount of such balances at such time.

(v) The Company shall reimburse the Executive for up to an aggregate of $10,000 in (A) tax preparation assistance fees for the tax year in which the Termination Payment is made and (B) fees and expenses of consultants and/or legal or accounting advisors engaged by the Executive to advise the Executive as to matters relating to the computation of benefits due and payable under Subsection 10(b).

10. Payments.

(a) Accrued Benefits. For purposes of this Agreement, the Executive's "Accrued Benefits" shall include the following amounts, payable as described herein: (i) all Annual Base Salary for the time period ending with the Termination Date; (ii) reimbursement for any and all monies advanced in connection with the Executive's employment for reasonable and necessary expenses incurred by the Executive on behalf of the Employer for the time period ending with the Termination Date; (iii) any and all other cash earned through the Termination Date and deferred at the election of the Executive or pursuant to any deferred compensation plan then in effect; (iv) a lump sum payment of the bonus or incentive compensation otherwise payable to the Executive with respect to the year in which termination occurs under all bonus or incentive compensation plan or plans in which the Executive is a participant, but subject to any deferral election then in effect; and (v) all other payments and benefits to which the Executive (or in the event of the Executive's death, the Executive's surviving spouse or other beneficiary) may be entitled as compensatory fringe

benefits or under any benefit plan of the Employer, excluding severance payments under any Employer severance policy, practice or agreement in effect immediately prior to the Change in Control of the Company. Payment of Accrued Benefits shall be made promptly in accordance with the Company's prevailing practice with respect to Subsections 10(b)(i) and (ii) or, with respect to Subsections 10(b)(iii), (iv) and (v), pursuant to the terms of the benefit plan or practice establishing such benefits.

(b) Termination Payment and Other Payments.

(i) The Termination Payment shall be an amount equal to (A) the Executive's Annual Base Salary (as defined in Subsection 6(a) and determined as of the time of the Change in Control of the Company or, if higher, immediately prior to the date the Notice of Termination is given) plus (B) an amount equal to the greater of the Executive's Targeted Bonus for the year in which the Termination Date occurs or the bonus the Executive received (w) for the year in which the Change in Control of the Company occurred or (x) for the year prior to the year in which the Change in Control of the Company occurred (each year described in clauses (w) and (x) is herein referred to as a "Prior Year") plus (C) an amount equal to the "actuarial equivalent" (as defined in the Company's defined benefit pension plan on the determination date) of the Executive's benefit accruals under the pension plan and the SERP for, whichever is greater, the year in which the Termination Date occurs or a Prior Year plus an amount equal to the Company's matching contribution and profit sharing contribution under the Company's defined contribution profit sharing and savings plan for, whichever is greater, the year in which the Termination Date occurs or a Prior Year (the aggregate amount set forth in (A), (B) and (C) hereof shall hereafter be referred to as "Annual Cash Compensation"), times (D) the Multiplier less, if the Termination Date occurs more than three months after the date of Change in Control of the Company, the portion of the Employment Period that has elapsed at the Termination Date (measured by the number of months that have elapsed from the date of the Change in Control of the Company to the Termination Date divided by 33); *provided, however, that* such amount shall not be less than the severance benefits to which the Executive would have been entitled under the Company's severance policies and practices in effect immediately prior to the Change in Control of the Company. The Termination Payment shall be paid to the Executive in cash equivalent in two lump sums if any stock of the Company or any Affiliate is publicly traded on an established securities market or otherwise at the time of the Executive's Termination of Employment. The first lump sum shall be paid within ten (10) business days after the Executive's Termination Date and shall equal the amount that (aa) does not exceed the Termination Payment amount and (bb) is the lesser of two times (y) the Executive's annualized compensation based upon the annual rate of pay for services provided to the Company for the taxable year of the Executive preceding the taxable year in which the Executive has a Termination of Employment or (z) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Executive has a Termination of Employment. The second lump sum payment shall be equal to the difference between the

amount calculated under the first sentence of this paragraph and the amount calculated under the second sentence of this paragraph, and such amount shall be paid six months and one day after the Executive's Termination Date. Each lump sum payment shall be deemed a separate payment for purposes of Code Section 409A. If the Company or any Affiliate has no publicly traded stock, as described above, at the Executive's Termination of Employment, then the entire Termination Payment shall be paid within ten (10) business days after the Executive's Termination Date. Any Termination Payment amount paid six months and one day after the Executive's Termination Date shall be accompanied by a payment of interest calculated at Prime, compounded quarterly. Notwithstanding the foregoing, in the event the Executive's Termination Date is pursuant to Subsection 3(b), the Termination Payment shall be paid within ten (10) business days after the date of the Change in Control of the Company (as defined without reference to Subsection 3(b)), without interest. The Termination Payment shall not be reduced by any present value or similar factor, and the Executive shall not be required to mitigate the amount of the Termination Payment by securing other employment or otherwise, nor will such Termination Payment be reduced by reason of the Executive securing other employment or for any other reason. The Termination Payment shall be in lieu of, and acceptance by the Executive of the Termination Payment shall constitute the Executive's release of any rights of Executive to, any other severance payments under any Company severance policy, practice or agreement.

(ii) Notwithstanding any other provision of this Agreement, if any portion of any payment under this Agreement (including any Section 409A Gross-Up Payment under Subsection 10(b)(vi)), or under any other agreement with or plan of the Employer, including payments that may be deemed to have occurred on account of accelerated vesting of restricted stock or stock options under Subsection 4(b) hereof (in the aggregate "Total Payments"), would constitute an "excess parachute payment," the Company shall pay the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 of the Code, any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Total Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Subsection 10(b)(ii), shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

(iii) For purposes of this Agreement, the terms “excess parachute payment” and “parachute payments” shall have the meanings assigned to them in Section 280G of the Code and such “parachute payments” shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 1274(b)(2) of the Code (or any successor provision). Promptly following a Covered Termination or notice by the Company to the Executive of its belief that there is a payment or benefit due the Executive which will result in an excess parachute payment as defined in Section 280G of the Code (or if the Company fails to give such notice and the Executive furnishes notice to the Company setting forth computations in reasonable detail supporting the Executive’s belief that there has been such an excess parachute payment, promptly after such notice by the Executive unless the Executive has withdrawn such notice after the Company’s response to such computations), the Executive and the Company, at the Company’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel (“National Tax Counsel”) selected by the Company’s independent auditors and reasonably acceptable to the Executive (which may be regular outside counsel to the Company), which opinion sets forth (i) the amount of the Base Period Income, (ii) the amount and present value of Total Payments, (iii) the amount and present value of any excess parachute payments, and (iv) the amount of any Gross-Up Payment. As used in this Agreement, the term “Base Period Income” means an amount equal to the Executive’s “annualized includible compensation for the base period” as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company’s independent auditors in accordance with the principles of Section 280G(d)(3) and (4) of the Code (or any successor provisions), which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Executive. The opinion of National Tax Counsel shall be addressed to the Company and the Executive and, subject to any adjustment pursuant to Subsection 10(b)(iv), shall be binding upon the Company and the Executive. If such National Tax Counsel so requests in connection with the opinion required by this Subsection 10(b) of Section 10, the Executive and the Company shall obtain, at the Company’s expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive solely with respect to its status under Section 280G of the Code and the regulations thereunder. The Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Executive such Gross-Up Payment as is then due to the Executive within five days after the National Tax Counsel’s opinion is received by the Company and the Executive, but in no event prior to the date the Termination Payment is initially payable to the Executive; *provided, however,* that, if prior to such date the Executive is required to remit the excise tax under Code Section 4999 of the Code to the Internal Revenue Service, then upon written notice by the Executive to the Company, the Company shall promptly pay the Gross-Up Payment (but based on the Executive’s actual rate of taxation) to the Executive.

(iv) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Total Payments or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Executive after taking into account the provisions of Section 4999 of the Code shall reflect the intent of the parties as expressed in this Section 10, in the manner determined by the National Tax Counsel. If the Company is required to make a payment to the Executive, such payment shall be paid following the date of the final determination by a court or the Internal Revenue Service and within thirty days after the date Executive provides the Company a written request for reimbursement thereof (accompanied by proof of taxes paid), but in no event shall the reimbursement be made later than the end of the calendar year following the year in which the Executive remits the excise tax to the Internal Revenue Service.

(v) The Company agrees to bear all costs associated with, and to indemnify and hold harmless, the National Tax Counsel of and from any and all claims, damages, and expenses resulting from or relating to its determinations pursuant to this Subsection 10(b), except for claims, damages or expenses resulting from the gross negligence or willful misconduct of such firm.

(vi) If any portion of the Termination Payment or any other payment or benefit (or any acceleration of any payment or benefit) made or provided to the Executive or for the Executive's benefit in connection with this Agreement or, on or after the Change in Control of the Company, the Executive's employment with the Company or the termination thereof (the "Payments") are determined to be subject to the interest charges and taxes imposed by Section 409A(a)(1)(B) of the Code, or any state, local, or foreign taxes of a similar nature, or any interest charges or penalties with respect to such taxes (such taxes, together with any such interest charges and penalties, are collectively referred to as the "Section 409A Tax"), then the Company shall pay the Executive, within 30 days after the date on which the Executive provides the Company with a written request for reimbursement thereof (accompanied by proof of taxes paid), but in no event later than the end of the calendar year following the year in which the Executive remits the Section 409A tax to the Internal Revenue Service or other applicable taxing authority, an additional amount (the "Section 409A Gross-Up Payment"); *provided, however*, that any Section 409A Gross-Up Payment shall be reduced to the extent that the Section 409A Tax payable is due to the direct fault of the Executive. The Section 409A Gross-Up Payment shall, subject to the proviso at the end of the previous sentence, be such that the net amount retained by the Executive after deduction of the Section 409A Tax (but not any federal, state, or local income tax or employment tax) and any federal, state, or local income tax, or employment tax upon the payment provided for by this Subsection 10(b)(vi) shall be equal to the Payments. For purposes of determining the amount of the Section 409A Gross-Up Payment, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Section 409A Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the Section 409A Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. The Company and the Executive shall reasonably cooperate with each other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Section 409A Tax with respect to the Payments, and the Executive shall, if reasonably requested by the Company, contest any obligation to pay a Section 409A Tax for which a Section 409A Gross-Up Payment is owed. If, as a result thereof, the Executive receives a tax refund or credit for any Section 409A Tax previously paid with respect to any Payments for which a Section 409A Gross-Up Payment was paid, the Executive shall return to the Company an amount equal to such refund or credit.

(vii) Executive agrees that this Agreement and any other agreements which may give rise to any Section 409A Tax may be amended by the Company on one or more occasions without the consent or approval of the Executive if in the determination of the Compensation Committee such amendment is necessary or appropriate to conform the provisions of such agreement to Treasury Regulation 1.409A-1 et seq. or any position published by the Internal Revenue Service with respect to Section 409A of the Internal Revenue Code of 1986. The right of the Company to make such an amendment does not depend on whether the applicable agreement is subject to such Section but will enable the Company to have uniform provisions among all agreements having provisions such as the one being amended, including those under which compensation is subject to such Section. Any such amendment will become effective upon notice to the Executive. The Company will seek to give the Executive notice of an amendment with reasonable promptness after the Compensation Committee has approved the amendment.

11. Death.

(a) Except as provided in Subsection 11(b) hereof, in the event of a Covered Termination due to the Executive's death, the Executive's estate, heirs and beneficiaries shall receive all the Executive's Accrued Benefits through the Termination Date.

(b) In the event the Executive dies after a Notice of Termination is given (i) by the Company or (ii) by the Executive for Good Reason, the Executive's estate, heirs and beneficiaries shall be entitled to the benefits described in Subsection 11(a) hereof and, subject to the provisions of this Agreement, to such Termination Payment as the Executive would have been entitled to had the Executive lived, except that the Termination Payment shall be paid within 90 days following the date of the Executive's death, without interest thereon. For purposes of this Subsection 11(b), the Termination Date shall be the earlier of thirty days following the giving of the Notice of Termination, subject to extension pursuant to the definition of Termination of Employment, or one day prior to the end of the Employment Period.

12. Retirement. If, during the Employment Period, the Executive and the Employer shall execute an agreement providing for the early retirement of the Executive from the Employer, or the Executive shall otherwise give notice that he is voluntarily choosing to retire early from the Employer, the Executive shall receive Accrued Benefits through the Termination Date; *provided*, that if the Executive's employment is terminated by the Executive for Good Reason or by the Company other than by reason of death, disability or Cause and the Executive also, in connection with such termination, elects voluntary early retirement, the Executive shall also be entitled to receive a Termination Payment pursuant to Subsection 9(a) hereof.

13. Termination for Disability. If, during the Employment Period, as a result of the Executive's disability due to physical or mental illness or injury (regardless of whether such illness or injury is job-related), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for a period of six consecutive months and, within thirty days after the Company notifies the Executive in writing that it intends to terminate the Executive's employment (which notice shall not constitute the Notice of Termination contemplated below), the Executive shall not have returned to the performance of the Executive's duties hereunder on a full-time basis,

the Company may terminate the Executive’s employment for purposes of this Agreement pursuant to a Notice of Termination given in accordance with Section 14 hereof. If the Executive’s employment is terminated on account of the Executive’s disability in accordance with this Section, the Executive shall receive Accrued Benefits in accordance with Subsection 10(a) hereof and shall remain eligible for all benefits provided by any long term disability programs of the Company in effect at the time of such termination.

14. Termination Notice and Procedure. Any Covered Termination by the Company or the Executive (other than a termination of the Executive’s employment that is a Covered Termination by virtue of Subsection 3(b) hereof) shall be communicated by a written notice of termination (“Notice of Termination”) to the Executive, if such Notice is given by the Company, and to the Company, if such Notice is given by the Executive, all in accordance with the following procedures and those set forth in Section 25 hereof:

(a) If such termination is for disability, Cause or Good Reason, the Notice of Termination shall indicate in reasonable detail the facts and circumstances alleged to provide a basis for such termination.

(b) If the Notice is given by the Executive for Good Reason, the Executive may cease performing his duties hereunder on or after the date fifteen days after the delivery of Notice of Termination and shall in any event cease employment on the Termination Date. If the Notice is given by the Company, then the Executive may cease performing his duties hereunder on the date of receipt of the Notice of Termination, subject to the Executive’s rights hereunder.

(c) To the extent provided by Subsection 2(p)(1), the Executive shall have ten days, or such longer period as the Company may determine to be appropriate, to cure any conduct or act, if curable, alleged to provide grounds for termination of the Executive’s employment for Cause under this Agreement pursuant to Subsection 2(e) (iii) hereof.

(d) The recipient of any Notice of Termination shall personally deliver or mail in accordance with Section 25 hereof written notice of any dispute relating to such Notice of Termination to the party giving such Notice within fifteen days after receipt thereof; *provided, however,* that if the Executive’s conduct or act alleged to provide grounds for termination by the Company for Cause is curable, then such period shall be thirty days. After the expiration of such period, the contents of the Notice of Termination shall become final and not subject to dispute.

15. Further Obligations of the Executive.

(a) Competition. The Executive agrees that, in the event of any Covered Termination where the Executive is entitled to Accrued Benefits and the Termination Payment, the Executive shall not, for a period expiring twelve months after the Termination Date, without the prior written approval of the Company’s Board of Directors, participate in the management of, be employed by or own any business enterprise at a location within the United States that engages in substantial competition with MGIC, where such enterprise’s revenues from any such competitive activities amount to 10% or more of such enterprise’s net revenues and sales for its most recently completed fiscal year; *provided, however,* that nothing in this Subsection 15(a) shall prohibit the Executive from owning stock or other securities of a competitor amounting to less than five percent of the outstanding capital stock of such competitor.

(b) Confidentiality. During and following the Executive's employment by the Company, the Executive shall hold in confidence and not directly or indirectly disclose or use or copy or make lists of any confidential information or proprietary data of the Company (including that of the Employer), except to the extent authorized in writing by the Board of Directors of the Company or required by any court or administrative agency, other than to an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company. Confidential information shall not include any information known generally to the public or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that of the Company. All records, files, documents and materials, or copies thereof, relating to the business of the Company which the Executive shall prepare, or use, or come into contact with, shall be and remain the sole property of the Company and shall be promptly returned to the Company upon termination of employment with the Company.

16. Expenses and Interest. If, after a Change in Control of the Company, (i) a dispute arises with respect to the enforcement of the Executive's rights under this Agreement, (ii) any arbitration proceeding shall be brought to enforce or interpret any provision contained herein or to recover damages for breach hereof, or (iii) any legal proceeding shall be brought with respect to the arbitration provisions hereof, in each case so long as, and to the extent that, the Executive prevails in such proceeding, the Executive shall recover from the Company the reasonable attorneys' fees and necessary costs and disbursements incurred as a result of the dispute, arbitration or legal proceeding as to which the Executive has prevailed ("Expenses"), and prejudgment interest on any arbitration award obtained by the Executive calculated at Prime from the date that payments to him or her should have been made under this Agreement. Within ten days after the Executive's written request therefore (but in no event later than the end of the calendar year following the calendar year in which such Expense is incurred), the Company shall reimburse the Executive, or such other person or entity as the Executive may designate in writing to the Company, the Expenses. Any dispute as to the reasonableness of the Expenses incurred, or the extent to which the Executive has prevailed, shall be resolved by the arbitrator.

17. Payment Obligations Absolute. The Company's obligation during and after the Employment Period to pay the Executive the amounts and to make the benefit and other arrangements provided herein shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which the Company may have against him or anyone else. Except as provided in Subsection 10(b) and Section 16 of this Agreement, all amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company will not seek to recover all or any part of such payment from the Executive, or from whomsoever may be entitled thereto, for any reason whatsoever.

18. Successors.

(a) If the Company sells, assigns or transfers all or substantially all of its business and assets to any Person or if the Company merges into or consolidates or otherwise combines (where the Company does not survive such combination) with any Person (any such event, a "Sale of Business"), then the Company shall assign all of its right, title and interest in this Agreement as of the date of such event to such Person, and the Company shall cause such Person, by written agreement (an "Assumption Agreement"), to expressly assume and agree to perform from and after the date of such assignment all of the terms, conditions and provisions imposed by this

Agreement upon the Company, and the Assumption Agreement shall be in form and substance reasonably satisfactory to the Executive (but if at the time of a Sale of Business, the chief executive officer of the Company or any officer of Company who is among the next four highest ranking officers of the Company has a Key Executive Employment and Severance Agreement, and any of such officers approves the Assumption Agreement, the Executive, if not one of such five officers, shall be deemed to have approved the Assumption Agreement). Failure of the Company to obtain an Assumption Agreement prior to the effective date of such Sale of Business shall be a breach of this Agreement constituting "Good Reason" hereunder, except that for purposes of implementing the foregoing the date upon which such Sale of Business becomes effective shall be deemed the Termination Date. In case of such assignment by the Company and of assumption and agreement by such Person, as used in this Agreement, "Company" shall thereafter mean such Person which executes and delivers the Assumption Agreement or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law, and this Agreement shall inure to the benefit of, and be enforceable by, such Person. The Executive shall, in his or her discretion, be entitled to proceed against any or all of such Persons, any Person which theretofore was such a successor to the Company and the Company (as so defined) in any action to enforce any rights of the Executive hereunder. Except as provided in this Subsection 18(a), this Agreement shall not be assignable by the Company. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company.

(b) This Agreement and all rights of the Executive shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, heirs and beneficiaries. All amounts payable to the Executive under Sections 8, 9, 10, 11, 12, 13 and 16 hereof if the Executive had lived shall be paid, in the event of the Executive's death, to the Executive's estate, heirs and representatives; *provided, however,* that the foregoing shall not be construed to modify any terms of any benefit plan of the Employer, as such terms are in effect on the date of the Change in Control of the Company, that expressly govern benefits under such plan in the event of the Executive's death.

19. Severability. The provisions of this Agreement shall be regarded as divisible, and if any of said provisions or any part hereof are declared invalid or unenforceable by a court of competent jurisdiction, the validity and enforceability of the remainder of such provisions or parts hereof and the applicability thereof shall not be affected thereby.

20. Contents of Agreement; Waiver of Rights; Amendment. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof, and the Executive hereby waives all rights under any prior or other agreement or understanding between the parties with respect to such subject matter. Any implication to the contrary in the preceding sentence notwithstanding, this Agreement shall not affect the Executive's obligations under non-competition or confidentiality agreement with the Company, the Employer or MGIC. This Agreement may not be amended or modified at any time except by written instrument executed by the Company and the Executive, *provided, however,* the Company may, on one or more occasions without the approval of the Executive, amend this Agreement with the approval of the Board to the extent the Company determines such amendment is necessary to comply with the provisions of the Emergency Economic Stabilization Act of 2008 or any regulation or program issued or established thereunder. Any such amendment will become effective upon notice to the Executive. The Company will seek to give the Executive notice of an amendment with reasonable promptness after the Board has approved the amendment.

21. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; *provided* that the amount so withheld shall not exceed the minimum amount required to be withheld by law. In addition, if prior to the date of payment of the Termination Payment hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due with respect to any payment or benefit to be provided hereunder, the Company may provide for an immediate payment of the amount needed to pay the Executive’s portion of such tax (plus an amount equal to the taxes that will be due on such amount) and the Executive’s Termination Payment shall be reduced accordingly. The Company shall be entitled to rely on an opinion of the National Tax Counsel if any question as to the amount or requirement of any such withholding shall arise.

22. Additional Section 409A Provisions.

(a) If any payment amount or the value of any benefit under this Agreement is required to be included in an Executive’s income prior to the date such amount is actually paid or the benefit provided as a result of the failure of this Agreement (or any other arrangement that is required to be aggregated with this Agreement under Code Section 409A) to comply with Code Section 409A, then the Executive shall receive a distribution, in a lump sum, within 90 days after the date it is finally determined that the Agreement (or such other arrangement that is required to be aggregated with this Agreement) fails to meet the requirements of Section 409A of the Code; such distribution shall equal the amount required to be included in the Executive’s income as a result of such failure and shall reduce the amount of payments or benefits otherwise due hereunder.

(b) The Company and the Executive intend the terms of this Agreement to be in compliance with Section 409A of the Code. To the maximum extent permissible, any ambiguous terms of this Agreement shall be interpreted in a manner which avoids a violation of Section 409A of the Code and, subject to mutual written consent of the Executive and the Company, payments may be deferred hereunder to comply with Code Section 409A requirements.

(c) The Executive acknowledges that to avoid an additional tax on payments that may be payable or benefits that may be provided under this Agreement and that constitute deferred compensation that is not exempt from Section 409A of the Code, the Executive must make a reasonable, good faith effort to collect any payment or benefit to which the Executive believes the Executive is entitled hereunder no later than 90 days after the latest date upon which the payment could have been made or benefit provided under this Agreement, and if not paid or provided, must take further enforcement measures within one 180 days after such latest date.

23. Certain Rules of Construction. No party shall be considered as being responsible for the drafting of this Agreement for the purpose of applying any rule construing ambiguities against the drafter or otherwise. No draft of this Agreement shall be taken into account in construing this Agreement. Any provision of this Agreement which requires an agreement in writing shall be deemed to require that the writing in question be signed by the Executive and an authorized representative of the Company. This Agreement supersedes any prior Key Executive Employment and Severance Agreement between the Executive and the Company.

24. Governing Law; Resolution of Disputes. This Agreement and the rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of

Wisconsin applicable to contracts made therein between residents thereof. Any dispute arising out of this Agreement shall be determined by arbitration under the rules of the American Arbitration Association then in effect. The venue for the arbitration (and any legal action to enforce the foregoing obligation to arbitrate) shall be Milwaukee, Wisconsin or, if the Executive is not then residing or working in the Milwaukee, Wisconsin metropolitan area, in the judicial district encompassing the city in which the Executive resides; *provided,* that, if the Executive is not then residing in the United States, the election of the Executive with respect to such venue shall be either Milwaukee, Wisconsin or in the judicial district encompassing that city in the United States among the thirty cities having the largest population (as determined by the most recent United States Census data available at the Termination Date) which is closest to the Executive's residence. For purposes of any legal action to enforce the foregoing obligation to arbitrate, the parties consent to personal jurisdiction in each trial court in the selected venue having subject matter jurisdiction notwithstanding their residence or situs, and each party irrevocably consents to service of process in the manner provided hereunder for the giving of notices.

25. Notice. Notices given pursuant to this Agreement shall be in writing and, except as otherwise provided by Subsection 14(d) hereof, shall be deemed given when actually received by the Executive or actually received by the Company's Secretary or any officer of the Company other than the Executive. If mailed, such notices shall be mailed by United States registered or certified mail, return receipt requested, addressee only, postage prepaid, if to the Company, to MGIC Investment Corporation, Attention: Secretary (or President, if the Executive is the Secretary), 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202, or if to the Executive, at the address set forth below the Executive's signature to this Agreement, or to such other address as the party to be notified shall have theretofore given to the other party in writing.

26. No Waiver. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

27. Headings. The headings herein contained are for reference only and shall not affect the meaning or interpretation of any provision of this Agreement.

EXHIBIT 11

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF PER SHARE (LOSS) EARNINGS(1)
For The Years Ended December 31, 2008, 2007 and 2006

	2008	2007	2006
	(In thousands, except per share data)		
BASIC (LOSS) EARNINGS PER SHARE			
Average common shares outstanding	113,962	81,294	84,332
Net (loss) income	$ (518,914)	$ (1,670,018)	$ 564,739
Basic (loss) earning per share	$ (4.55)	$ (20.54)	$ 6.70
DILUTED (LOSS) EARNINGS PER SHARE			
Adjusted weighted average shares outstanding:			
Average common shares outstanding	113,962	81,294	84,332
Common stock equivalents	—	—	618
Adjusted weighted average diluted shares outstanding	113,962	81,294	84,950
Net (loss) income	$ (518,914)	$ (1,670,018)	$ 564,739
Diluted (loss) earnings per share	$ (4.55)	$ (20.54)	$ 6.65

(1) Per Statement of Financial Accounting Standards No. 128, “Earnings Per Share”. For the years ended December 31, 2008 and 2007 the diluted weighted-average shares are equivalent to the basic weighted average shares due to a net loss from continuing operations.

EXHIBIT 21

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

1. MGIC Assurance Corporation
2. MGIC Australia Pty Limited[2]
3. MGIC Capital Funding B.V.[3]
4. MGIC Credit Assurance Corporation
5. MGIC Indemnity Corporation
6. MGIC Insurance Services Corporation
7. MGIC International Investment B.V.[3]
8. MGIC Investor Services Corporation
9. MGIC Mortgage and Consumer Asset I, LLC[4]
10. MGIC Mortgage and Consumer Asset II, LLC[4]
11. MGIC Mortgage Reinsurance Corporation
12. MGIC Reinsurance Corporation
13. MGIC Reinsurance Corporation of Vermont[5]
14. MGIC Reinsurance Corporation of Wisconsin
15. MGIC Residential Reinsurance Corporation
16. MGIC Structured Transactions Group LLC
17. MGICA Pty Limited[2]
18. Mortgage Guaranty Insurance Corporation
19. eMagic.com LLC
20. Myers Internet, Inc.[4]
21. Credit-Based Asset Servicing and Securitization LLC[6]

The names of certain entities that would not in the aggregate be a significant subsidiary are omitted.

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(1) Except as otherwise noted in a footnote, all companies listed are 100% directly or indirectly owned by the registrant and all are incorporated in Wisconsin.

(2) Organized under Australian law.

(3) Organized under Dutch law.

(4) Organized under Delaware law.

(5) Organized under Vermont law.

(6) Less than 50% owned and organized under Delaware law.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements listed below of MGIC Investment Corporation of our reports dated February 27, 2009, relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

1. Registration Statement on Form S-8 (Registration No. 33-79338)
2. Registration Statement on Form S-8 (Registration No. 33-79340)
3. Registration Statement on Form S-8 (Registration No. 33-92128)
4. Registration Statement on Form S-8 (Registration No. 333-56350)
5. Registration Statement on Form S-8 (Registration No. 333-56346)
6. Registration Statement on Form S-8 (Registration No. 333-101621)
7. Registration Statement on Form S-8 (Registration No. 333-123627)
8. Registration Statement on Form S-8 (Registration No. 333-123777)
9. Registration Statement on Form S-8 (Registration No. 333-157053)

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Milwaukee, WI

March 2, 2009

EXHIBIT 31.1

CERTIFICATIONS

I, Curt S. Culver, certify that:

1. I have reviewed this annual report on Form 10-K of MGIC Investment Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision 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 annual report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ Curt S. Culver

Curt S. Culver
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, J. Michael Lauer, certify that:

1. I have reviewed this annual report on Form 10-K of MGIC Investment Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision 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 annual report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ J. Michael Lauer

J. Michael Lauer
Chief Financial Officer

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

The undersigned, Curt S. Culver, Chief Executive Officer of MGIC Investment Corporation (the “Company”), and J. Michael Lauer, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S. C. Section 1350, that to our knowledge:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2009

/s/ Curt S. Culver
Curt S. Culver
Chief Executive Officer

/s/ J. Michael Lauer
J. Michael Lauer
Chief Financial Officer

Mortgage Guaranty Insurance Corporation
250 E. Kilbourn Avenue
P.O. Box 488, Milwaukee, Wisconsin 53201-0488

MGIC

Restated to include selected standard endorsements in place as of February 25, 2009

Declaration Page for Use With Mortgage Guaranty Master Policy

Mortgage Guaranty Insurance Corporation (a stock insurance company hereinafter called the “Company”) agrees to pay to the Insured identified below, in consideration of the premium or premiums to be paid as specified in this Policy and in reliance on the Insured’s Application for coverage under this Policy any Loss due to the Default by a Borrower on a Loan, subject to the terms and conditions in this Policy.

Insured’s Name and Mailing Address

Master Policy Number

Effective Date of Policy

Includes Terms and Conditions

Includes Endorsement(s):

In Witness Whereof, the Company has caused its Corporate Seal to be hereto affixed and these presents to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding on the Company.

MORTGAGE GUARANTY INSURANCE CORPORATION

President [Corporate Seal] Secretary

Authorized Representative

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Terms and Conditions

1 Definitions

1.1 **Application** means a request for coverage, including assumption of coverage, under this Policy for a Loan on a form or in a format provided by the Company, and all other statements, documents or information furnished to the Company by the Insured or any other Person in connection with the insuring of the Loan. An application will include information, if so furnished to the Company, contained in the Borrower's Loan application, appraisal, verifications of income and deposit, plans and specifications for the Property, and all other exhibits and documents, and will include all data and information so furnished by electronic means.

1.2 **Appropriate Proceedings** means any legal or administrative action by the Insured affecting either a Loan or title to a Property, including:

a. Preserving a deficiency recovery by making a bid at the foreclosure sale and pursuing a deficiency judgment until the end of the Settlement Period, where appropriate and permissible and where directed by the Company; or

b. Enforcing the terms of the Loan as allowed by the laws where the Property is located; or

c. Acquiring Borrower's Title or Good and Merchantable Title to the Property, as either may be required under this Policy, but excluding such title as may be acquired by a voluntary conveyance from the Borrower; or

d. Asserting the Insured's interest in the Property in a Borrower's bankruptcy.

1.3 **Borrower** means any Person legally obligated to repay the debt obligation created by a Loan, including any co-signer or guarantor of the Loan.

1.4 **Borrower's Title** means such title to a Property as was vested in the Borrower at the time of a conveyance to the Insured arising out of or pursuant to a foreclosure of the Loan; provided, however, if the Insured so elects, the redemption period need not have expired. Borrower's Title in the Insured may be, but need not be the equivalent of Good and Merchantable Title, and the deed evidencing Borrower's Title need not be recorded unless required by applicable law.

1.5 **Certificate** means the document, which may be on the same form as the Commitment, issued by the Company pursuant to this Policy and extending the coverage indicated therein to a specified Loan.

1.6 **Certificate Effective Date** means, as specified in the Certificate, (a) the closing date of a Loan, or (b) the later date requested by the Insured and accepted by the Company.

1.7 **Claim** means the timely filed written request, made on a form or in a format provided or approved by the Company, to receive the benefits of this Policy.

1.8 **Claim Amount** means the amount calculated in accordance with Section 6.2 of this Policy.

1.9 **Commitment** means the document, which may be on the same form as the Certificate, issued by the Company evidencing the Company's offer to insure the Loan identified therein, subject to the terms and conditions therein and in this Policy.

1.10 **Default** means the failure by a Borrower (a) to pay when due an amount equal to or greater than one (1) monthly regular periodic payment due under the terms of a Loan or (b) to pay all amounts due on acceleration of the Loan by the Insured after breach by the Borrower of a due on sale provision in the Loan, granting the Insured the right to accelerate the Loan upon transfer of title to, or an interest in, the Property and to institute Appropriate Proceedings. Violation by the Borrower of any other term or condition of the Loan which is a basis for Appropriate Proceedings shall not be considered to be a Default.

A Loan is deemed to be in Default for that month as of the close of business on the installment due date for which a scheduled monthly payment has not been made or as of the close of business on the due date stated in the notice of acceleration given pursuant to the due-on-sale provision in the Loan. The Loan will be considered to remain in Default until filing of a Claim so long as such periodic payment has not been made or such basis for Appropriate Proceedings remains. For example, a Loan is “four (4) months in Default” if the monthly installments due on January 1 through April 1 remain unpaid as of the close of business on April 1 or if a basis for acceleration and Appropriate Proceedings exists for a continuous period of four months.

1.11 **Environmental Condition** means the presence of environmental contamination, including nuclear reaction or radioactive waste, toxic waste, or poisoning, contamination or pollution of earth or water subjacent to the Property or of the atmosphere above the Property; or the presence, on or under a Property, of any “Hazardous Substance” as that term is defined by the federal Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Sec. 9601 et. seq., as amended from time to time) or as defined by any similar state law, or of any “Hazardous Waste” or “Regulated Substance” as those terms are defined by the federal Resource Conservation and Recovery Act (42 U.S.C. sec. 6901, et seq., as amended from time to time) or as defined by any similar state law. Environmental Condition does not mean the presence of radon, lead paint, or asbestos.

1.12 **Good and Merchantable Title** means title to a Property free and clear of all liens, encumbrances, covenants, conditions, restrictions, easements and rights of redemption, except for any of the following or as permitted in writing by the Company:

a. Any lien established by public bond, assessment or tax, when no installment, call or payment of or under such bond, assessment or tax is delinquent;

b. Any municipal and zoning ordinances and exceptions to title waived by the regulations of federal mortgage insurers and guarantors with respect to mortgages on one-to-four family residences in effect on the date on which the Loan was closed and all documents were executed; and

c. Any other impediments which will not have a materially adverse effect on either the transferability of the Property or the sale thereof to a bona fide purchaser.

Good and Merchantable Title will not exist if (i) there is any lien pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, or similar federal or state law, as in effect from time to time, providing for liens in connection with the removal and clean-up of environmental conditions, or if notice has been given of commencement of proceedings which could result in such a lien, or (ii) there are limitations on ingress and egress to the Property or on use of utilities. Any action or proceeding after a foreclosure sale relating to establishing a deficiency judgment will not be considered in determining whether the Insured has acquired Good and Merchantable Title.

1.13 **Insured** means:

a. The Person designated on the face of this Policy; or

b. The initial or subsequent Owner of the Loan, upon request by the Owner to become the Insured; or

c. The initial or subsequent Servicer of the Loan, if the Owner is not the Insured, upon request by the Servicer to become the Insured or designation by the Owner of such Servicer as the Insured.

If the Company has not been notified in writing of a change of Insured, the Company’s sole obligation hereunder shall be to the named Insured, except as specifically provided in this Policy. The Company may rely upon notice from a Person that it or its designee is the new Insured, but the Company must provide notice of such change to the prior Insured.

1.14 **Loan** means any note, bond, or other evidence of indebtedness secured by a mortgage, deed of trust, or other similar instrument, which constitutes or is equivalent to a first lien or charge on a Property and which the Company has approved for insurance and to which coverage under this Policy has been extended.

1.15 **Loss** means the liability of the Company with respect to a Loan for payment of a Perfected Claim which is calculated in accordance with Section 6.3. A Loss will be deemed to have occurred when a Default on a Loan occurs, even though the amount of Loss is not then either presently ascertainable or due and payable.

1.16 **Owner or Owner of the Loan** means the Person who owns a Loan and of whom the Company is notified in accordance with this Policy.

1.17 **Perfected Claim** means a Claim received by the Company which contains all information or proof required by the Company and for which all requirements of this Policy applicable to payment of a Claim are satisfied.

1.18 **Person** means any individual, corporation, partnership, association or other entity.

1.19 **Physical Damage** means any tangible injury to a Property, whether caused by accident, natural occurrence, or any other reason, including damage caused by defects in construction, land subsidence, earth movement or slippage, fire, flood, earthquake, riot, vandalism or any Environmental Condition.

1.20 **Policy** means this contract of insurance and all Applications, Commitments, endorsements, schedules, and Certificates, which are incorporated in this Policy, related to Loans insured under this Policy.

1.21 **Possession of the Property** means, if the Company elects to acquire the Property, physical and undisputed occupancy and control of the Property at the time of acquisition.

1.22 **Property** means a Residential real property and all improvements thereon which secure a Loan, together with all easements and appurtenances, all rights of access, all rights to use common areas, recreational and other facilities, and all of their replacements or additions.

1.23 **Residential** means a type of building or a portion thereof which is designed for occupancy by not more than four (4) families, or a single-family condominium, or a unit in a planned unit development.

1.24 **Servicer** means that Person acting on behalf of the Owner of a Loan (or on behalf of the Owner's designee, if any) to service the Loan and of whom the Company has been notified. The Servicer acts as a representative of the Owner of the Loan (and the Owner's designee, if any) and will bind the Owner and its designee for all purposes of this Policy, including providing information to the Company, receiving any notices, paying premiums, accepting Loss payments, and performing any other acts under this Policy. References in this Policy to a Servicer's obligations will not be construed as relieving the Owner or its designee of responsibility for the Servicer's performance.

Unless otherwise agreed to in writing by the Company or otherwise required pursuant to the terms of this Policy, if there is a Servicer for a Loan and the Servicer is not the Insured the Company shall be entitled to rely upon and treat the Servicer as the representative of the Insured with respect to communications, paying premiums, accepting Loss payments and for all other purposes of this Policy. However, with respect to assignment of coverage and cancellation of a Certificate, the Company shall be entitled to rely upon instruction from either the Servicer or the Insured. The Servicer may designate the Owner as the payee for any Loss.

1.25 **Settlement Period** means the sixty (60) day period as determined under Section 6.4, at the end of which a Loss is payable by the Company; provided that if the Company pays a Loss prior to expiration of such sixty (60) day period, the Settlement Period ends with such payment.

1.26 **Value** means the lesser of the sales price of a Property (only applicable in the case of a Loan to finance the purchase of such Property) or appraised value of the Property as set forth in the Certificate.

1.27 **Eligibility Criteria** means the requirements which may be established by the Company from time to time applicable to qualification of a Loan for insurance under this Policy (including approved mortgage loan programs, maximum loan-to-value ratios and original principal amounts, coverage limitations, underwriting requirements and payment status) and of which the Company advises the Insured by notice to the Insured as provided for in this Policy or by general publication in underwriting guides, premium rate cards, or other written or electronic communications prior to the Loan becoming insured. The Company from time to time may amend the requirements which have been established and shall advise or notify the Insured prior to such amendment becoming effective.

Any pronouns, when used in this Policy, will mean the singular or plural, masculine or feminine, as the case may be.

2 Obtaining Coverage and Payment of Premiums

2.1 **Application and Certificate** ¾ In order to insure a Loan under this Policy, the Insured or a Person acting on behalf of the Insured must submit to the Company a properly completed Application. Approval of any Application will be at the discretion of the Company and will be in the form of a Commitment or a Certificate which offers to extend, or extends coverage under the terms and conditions of both this Policy and the Commitment or Certificate, as the case may be.

In lieu of such an Application and supporting statements, documents and information submitted to the

Company in connection with insuring a Loan, the Company may accept an alternative form of Application, containing more limited information, including certifications by or on behalf of the Insured as to characteristics of a Loan in lieu of supporting statements, documents and information. The Company shall be entitled to fully rely on such alternative Application as submitted. Use of an alternative form of Application shall not waive or change the other terms and conditions of this Policy under which a Loan is insured or the responsibility of the Insured for the accuracy of statements, documents and information submitted by it or other Persons to the Company as provided in this Policy.

If the Company declines to approve a mortgage loan, it will not issue a Commitment or Certificate, and it will notify the Insured in writing of such declination. If the Insured or the Person acting on its behalf subsequently denies the mortgage loan application which it received from the applicant, the Insured or such Person will be responsible for notifying the applicant that the Company declined to approve the mortgage loan. Such notification will be made in compliance with any applicable state or federal laws or regulations, including the Equal Credit Opportunity Act and any other similar law or regulation.

2.2 **Representations of the Insured** ¾ The Insured represents that:

a. all statements made and information provided to the Company in an Application or in any Commitment or Certificate (including as such is related to continuation of coverage upon assumption of a Loan), whether by it, the Borrower, or any other Person, have been made and presented for and on behalf of the Insured;

b. such statements and information are not false or misleading in any material respect as of the date(s) on which they are made or provided and do not omit any fact necessary in order to make such statements and information not false or misleading in any material respect as of such date(s); and

c. the Loan complies with the Eligibility Criteria in effect at the time the Application is submitted to the Company. For purposes of this subparagraph (c), Section 2.4 of this Policy shall not apply to a determination as to whether a Loan complies with the Eligibility Criteria.

It is understood and agreed that such statements and information in the aggregate are, and in certain instances individually may be, material to the Company's decision to offer, provide or so continue coverage of the related Loan; the Company issues the related Commitment and Certificate or continues coverage in reliance on the accuracy and completeness of such statements and information and without any obligation to independently verify the statements and information submitted to it; and the Company's reliance on the representations in Section 2.2(a) and (b) above survive the issuance of a Commitment and Certificate or such continuation of coverage.

Without otherwise limiting the scope of this Section 2.2, a breach of Section 4.8 relating to down payment will be deemed a material misrepresentation for purposes of this Section 2.2. The foregoing representations shall be effective whether or not they are made by the Insured or other Person with the intent to deceive or mislead, or with the knowledge that they are not true and correct.

2.3 **Company's Remedies for Misrepresentation** ¾ Subject to Section 2.4, if any of the Insured's representations as described in Section 2.2 are materially false or misleading with respect to a Loan, the Company will have at its option, the right to defend against a Claim, or to the extent permitted by applicable law, to cancel or rescind coverage under any Certificate retroactively to commencement of coverage (or if the misrepresentation occurs with respect to continuation of coverage upon assumption of a Loan, to so defend, cancel or rescind retroactively to the date of such continuation). In the case of such cancellation or rescission, the Company shall return at that time all paid premiums retroactively to such applicable date.

2.4 **Incontestability for Certain Misrepresentations** ¾ Notwithstanding Sections 2.2 or 2.3, no Claim for Loss will be denied or adjusted, nor will the Certificate's coverage be rescinded or canceled, by reason of any misrepresentations (whether by statements made or omitted) contained in an Application, provided that all of the following requirements, conditions and circumstances, to the extent not waived in writing at the option of the Company, are satisfied:

a. The misrepresentation must not have been:

1. knowingly made, or knowingly participated in, by:

   (i) the Insured or any other Person which originated the Loan;

   (ii) a correspondent lender, mortgage loan broker or other intermediary underwriting or processing the Loan on behalf of the Insured or of any other Person which originated the Loan; or

   (iii) an escrow or closing agent, or any other agent of, or broker for, the Insured or any other Person which originated the Loan acting with respect to the Loan or the related Property transaction; or

2. made, whether or not knowingly, by an appraiser, provider of an automated valuation model, or any other Person providing a valuation of the Property that is used in underwriting, processing or originating the Loan and that is submitted to the Company for the purpose of establishing the Value of the Property.

b. This Section 2.4 will not apply to a Certificate if within twelve (12) months before or after a material misrepresentation by a Borrower or other Person (other than those Persons identified in Section 2.4(a)), there are one or more material misrepresentations in a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company (i) with respect to three (3) or more other mortgage loans insured at any time by the Company for the Insured or any other lender and (ii) which result from the direct or indirect acts or omissions of the same Borrower or same other Person (including any other Person acting directly or indirectly in concert).

c. This Section 2.4 shall not be construed to limit the applicability of Section 4.4(b) to a misrepresentation which is subject to this Section 2.4.

d. The Company's payment of a Claim will not limit any rights which the Company has against the Borrower or any other Person (other than the Insured) for any misrepresentation.

2.5 **Initial Premium and Term of Coverage**

a. Within fifteen (15) days from the Certificate Effective Date, or such other date as the Company and the Insured may agree to in writing, the Insured must forward to the Company the appropriate initial premium. Payment of the initial premium shall be a condition precedent to coverage being extended to the Loan. Subject to cancellation by the Insured or the Company as provided in this Policy, coverage shall remain in full force and effect for the period covered by the initial premium. Tender of the initial premium will constitute a representation for purposes of Section 2.2 by the Insured that any special conditions included by the Company in the related Commitment have been satisfied and that no payment which is then due under the Loan is more than thirty (30) days past due.

b. The Company will not rescind or cancel coverage, or deny or adjust a Claim for Loss, with respect to a Loan on the basis of a failure to satisfy a special condition (other than a special condition relating to completion of construction, as described in Section 4.3 or to rehabilitation or repairs) if the Borrower has made twenty-four (24) consecutive full installment payments from the Borrower's own funds. The terms "installment payments," "consecutive," and "Borrower's own funds" shall have the meanings provided in Section 2.4(b).

2.6 **Renewal of Certificate and Termination for Non-Payment of Renewal Premium; Reinstatement of Terminated Coverage**

a. The Company must give the Insured prior notice of the due date for payment of the applicable renewal premium payable for continued coverage of each Certificate. The entire renewal premium must be paid

within a forty-five (45) day grace period (or such longer grace period generally allowed by the Company) after the due date for payment. Upon payment of the entire renewal premium within such grace period, the Certificate will be deemed renewed for the applicable renewal period and a Default occurring within said grace period which is not cured, and which results in a Claim being filed, will be covered.

If a Default occurs prior to the date through which the applicable premium has been paid, and if such Default is not cured and results in a Claim being filed, such Default shall remain covered and no further premium shall be due in order to maintain coverage of such Default.

With respect to a Loan with renewal premiums due on an annual basis, if the annual renewal premium is not paid within such grace period (but subject to the Owner's right to cure non-payment as provided in (b) of this Section 2.6), the coverage of the Certificate and the Company's liability will terminate effective as of 12:01 a.m. on the first day following the date through which the applicable premium has been paid and as a result, any Default occurring after the date through which the applicable premium has been paid will not be covered.

With respect to a Loan with renewal premiums due on a monthly basis, if the monthly renewal premium is not paid within such grace period (but subject to the Owner's right to cure non-payment as provided in (b) of this Section 2.6), the coverage of the Certificate and the Company's liability will terminate as of 12:01 a.m. on the first day following the date through which the applicable monthly premium has been paid, except that if a Default on the Loan occurs between the last date through which the applicable monthly renewal premium has been paid and the end of such grace period, the Insured shall not be required to pay renewal premiums, and coverage of such Default will continue, while such Default exists. If such Default is cured, all monthly renewal premiums not paid during the period of Default shall be payable (unless previously paid by the Insured) within forty-five (45) days or such longer period generally allowed by the Company after notice from the Company in order to continue coverage. If such Default is not cured and results in a Claim, the unpaid monthly renewal premiums through the renewal month in which such Default occurred shall be paid as provided in Section 6.3 by deduction from the Loss.

b. If there occurs a transfer of servicing rights for a group of Loans to a new Servicer, a seizure of servicing rights by the Owner of such Loans, or a Servicer's surrender to the Owner of such servicing rights and if:

1. the Company terminates coverage on one or more of such Loans for nonpayment of the renewal premium; and the grace period for payment of the renewal premium provided for in Section 2.6 (a) expired after such transfer, seizure or surrender;

2. either the Owner of such Loans on which coverage was terminated, or the new Servicer for such Loans, certifies in writing to the Company within sixty (60) days after expiration of such grace period, that all of such Loans were serviced for the Owner at the time of nonpayment of renewal premium; and that in good faith it believes that the failure to pay the renewal premium on all such Loans was an error or omission caused by such transfer, seizure or surrender of servicing; and

3. either the Owner or the new Servicer of such Loans pays the entire amount of renewal premiums due and unpaid on all such Loans within such sixty day period; then

upon satisfaction of all of the foregoing conditions, the Company shall reinstate coverage on such Loans retroactively to the effective date of termination of coverage, under all of the terms and conditions in effect at termination and as if there had been no lapse in coverage.

2.7 **Special Procedures for Certification of Coverage; Payment of Initial and Renewal Premiums**

a. The Company may permit coverage of a Loan to be certified and become effective without the Insured's return of an executed Commitment or Certificate, but coverage will only become effective if within fifteen (15) days after the Certificate Effective Date (or such longer period as the Company may allow) the Insured provides the Company with the Certificate Effective Date and other information required by the Company, and pays the required premium. If signature and return of an executed Commitment or Certificate is not required, the Insured will nevertheless be automatically deemed to have made all certifications, representations and statements attributable to it in the form of the Commitment or Certificate, as though, and to the same extent as if, the Insured had executed and returned the Commitment or Certificate.

b. The Insured acknowledges that the Company deposits initial and renewal premium checks immediately upon receipt and agrees that the receipt and deposit of a premium check by the Company after the time specified in this Policy for receipt, does not constitute a waiver of the requirements of this Policy for timely receipt or an acceptance of premium by the Company. The Company will have the right to return such late premium payment, but only within sixty (60) days after receipt, in which case coverage will be cancelled retroactively to the Certificate Effective Date for a late initial premium, or to the last day of the period covered by the previous premium payment for a late renewal premium. Receipt, deposit and retention of a premium check will not constitute a waiver of any defenses with respect to any other matters which the Company may have under this Policy.

2.8 **Cancellation by the Insured of a Certificate** ¾ The Insured may obtain cancellation of a Certificate by returning the Certificate to the Company or making a written request to the Company for cancellation. Upon receipt, the Company will refund, where applicable, a portion of the premium paid in accordance with the appropriate cancellation schedule which is either attached to this Policy or which will be provided by the Company to the Insured upon request. However, no refund on a Certificate will be paid if the Loan is in Default on the date the Company receives the request. Cancellation of a Certificate will not cancel this Policy.

2.9 **Cancellation of Policy** ¾ Either the Insured or the Company may cancel their respective right or obligation to receive or issue new Commitments or Certificates under this Policy by providing thirty (30) days' written notice of cancellation of this Policy. However, Commitments and Certificates issued prior to such cancellation of this Policy will continue in force so long as all premiums are paid and all other terms and conditions of this Policy for coverage are complied with by the Insured.

2.10 **Relationship Among the Company, the Owner of a Loan, and the Servicer of a Loan** ¾ The Company will be entitled to assume that the Insured identified on this Policy and under a Certificate is the Owner of the Loan. If the Company receives written notice acceptable to it that there is an Owner of the Loan who is not the Insured, the Company shall identify that Owner in its internal records and for purposes of this Policy. The Company shall be required to identify only one Owner for a Loan at any one time.

The Company will provide the Owner of a Loan so identified in its records with an opportunity to cure non-payment of renewal premium, as provided under Section 2.6; will notify such Owner of the Loan of a non-approved Servicer and allow replacement with a new Servicer, as provided under Section 4.5; will allow the Owner (or its designee, if any) to replace a Servicer and allow the replacement Servicer to become the Insured under Section 1.13; and will allow the Owner to become the Insured under Section 1.13 if the Owner services the Loan itself. Any Person becoming an Insured under this Policy shall be subject to all of the terms and conditions of this Policy to the same extent as any previous Insured hereunder and without regard to the extent of the knowledge or responsibility of such Person, relating to matters occurring before such Person became an Insured.

2.11 **Refund of Premium for Denial of Claim in Full** ¾ If, because of a provision in Sections 2, 3 or 4 (other than Sections 4.3, 4.6, or 4.7), no Loss is payable to the Insured, the Company shall return to the Insured all paid premiums retroactively and pro rata to the date when the event or circumstance occurred which resulted in no Loss being payable.

3 Changes in Various Loan Terms, Servicing and Owner; Co-ordination and Duplication of Insurance Benefits

3.1 **Loan Modifications** ¾ Unless advance written approval is provided by, or obtained from, the Company, the Insured may not make any change in the terms of a Loan, including the borrowed amount, interest rate, term or amortization schedule of the Loan, except as permitted by terms of the Loan; nor make any change in the Property or other collateral securing the Loan; nor release the Borrower from liability on a Loan.

3.2 **Open End Provisions** ¾ The Insured may increase the principal balance of a Loan, provided that the written approval of the Company has been obtained. The Insured will pay the Company the additional premium due at the then prevailing premium rate.

3.3 **Assumptions** ¾ If a Loan is assumed with the Insured's approval, the Company's liability for coverage under its Certificate will terminate as of the date of such assumption, unless the Company approves the assumption in writing. The Company will not unreasonably withhold approval of an assumption. It is understood that coverage will continue, and that the restriction of this Section 3.3 will not apply, if under the Loan or applicable law the Insured cannot exercise a "due-on-sale" clause or is obligated to consent to such assumption under the Loan or applicable law.

3.4 **Change of Servicing** ¾ If the servicing rights for a Loan are sold, assigned or transferred by the Insured or the Owner, coverage of the Loan hereunder will continue provided that written notice of the new Servicer is given to the Company and the new Servicer is approved in writing by the Company. The Company shall be automatically deemed to have approved as a Servicer any person to whom the Company has issued a master policy, which has not been cancelled, providing for residential mortgage guaranty insurance.

3.5 **Change of Owner** ¾ If a Loan or a participation in a Loan is sold, assigned or transferred by its Owner, coverage of the Loan will continue, subject to all of the terms and conditions contained in this Policy. The new Owner of the Loan will be identified in the Company's records from the date that the Company receives written notice thereof. In the case of the sale of a participation in a Loan, the Company shall be notified of only one new Owner. If there is new ownership, the Loan must continue to be serviced by a Person approved by the Company as a Servicer.

3.6 **Co-ordination and Duplication of Insurance Benefits** ¾ The coverage under this Policy shall be excess over any other insurance which may apply to the Property or to the Loan, except for mortgage guaranty pool insurance or supplemental or second tier mortgage insurance.

4 Exclusions From Coverage

The Company will not be liable for, and this Policy will not apply to, extend to or cover the following:

4.1 **Balloon Payment** ¾ Any Claim arising out of or in connection with the failure of the Borrower to make any payment of principal and/or interest due under a Loan, (a) as a result of the Insured exercising its right to call the Loan (other than when the Loan is in Default) or because the term of the Loan is shorter than the amortization period, and (b) which is for an amount more than twice the regular periodic payments of principal and interest that are set forth in the Loan (commonly referred to as a "balloon payment"). This exclusion will not apply if the Insured, the Owner of the Loan, or other Person acting on either's behalf offers the Borrower, in writing, a renewal or extension of the Loan or a new loan which (i) constitutes a first lien, (ii) is at rates and terms generally prevailing in the marketplace (but otherwise subject to Section 3.1), (iii) is in an amount not less than the then outstanding principal balance, (iv) has no decrease in the amortization period, and (v) is offered regardless of

whether the Borrower is then qualified under the Insured's or Owner's underwriting standards. This exclusion also will not apply if the Borrower is notified of the availability of such renewal or extension of the Loan or new loan and does not accept the renewal, extension or new loan.

4.2 **Effective Date** ¾ Any Claim resulting from a Default existing at the Certificate Effective Date or occurring after lapse or cancellation of a Certificate.

4.3 **Incomplete Construction** ¾ Any Claim when, as of the date of such Claim, construction of a Property is not completed in accordance with the construction plans and specifications upon which the appraisal of the Property at origination of the Loan was based.

4.4 **Fraud, Misrepresentation and Negligence** ¾ (a) Any Claim not otherwise within the scope of Section 2.3 where there was fraud or misrepresentation by the Insured with respect to the Loan, and the fraud or misrepresentation (1) materially contributed to the Default resulting in such Claim; or (2) increased the Loss, except that if the Company can reasonably determine the amount of such increase, such Claim will not be excluded, but the Loss will be reduced to the extent of such amount.

(b) Any Claim where there was negligence by the Insured with respect to the Loan, which (1) was material to either the acceptance of the risk or the hazard assumed by the Company; (2) materially contributed to the Default resulting in such Claim; or (3) increased the Loss, except that if the Company can reasonably determine the amount of such increase, such Claim will not be excluded, but the Loss will be reduced to the extent of such amount.

4.5 **Non-Approved Servicer** ¾ Any Claim occurring when the Servicer, at time of Default or thereafter, is not approved in writing or in a list published by the Company; provided that this exclusion shall only apply if the Company notifies the Owner of the Loan in writing if a Servicer is no longer approved and if within ninety (90) days thereafter the Owner does not complete a transfer of servicing to a new Servicer approved by the Company.

4.6 **Physical Damage (Other than Relating to Pre-Existing Environmental Conditions)** ¾ Any Claim where, at any time after the Certificate Effective Date, Physical Damage to a Property (of a type other than as described in Section 4.7 and other than reasonable wear and tear), occurs or manifests itself subject to the following provisions:

a. This exclusion will not apply if the Company in good faith determines that the aggregate cost of restoring all such Physical Damage is less than fifteen hundred dollars ($1,500), or such higher amount as the Company may provide from time to time.

b. This exclusion will apply only if such Physical Damage occurred or manifested itself (1) prior to expiration of the Settlement Period and the Company elects to acquire the related Property in settlement of a Claim; or (2) prior to the Default and was the most important cause of the Default and the Property was either uninsured for loss arising from such Physical Damage or was insured for an amount which, disregarding normal and customary deductibles not to exceed fifteen hundred dollars ($1,500) or such higher amount as the Company may provide from time to time, was insufficient to restore the Property as provided in paragraph (c) below.

c. The exclusion resulting from paragraph (b) will not apply if the Property is restored in a timely and diligent manner to its condition (except reasonable wear and tear) as of the Certificate Effective Date. In lieu of requiring restoration of the Property, the Company may, at its option, reduce the Claim Amount by an amount equal to the cost of such restoration.

d. For purposes of this Section 4.6, the Property subject to restoration will consist only of the land, improvements or personal property deemed part of the real property under applicable law; and chattel items affixed to the real property and identified in the appraisal of the Property at the time the Loan was

made, whether or not they are deemed part of the real property.

e. Cost estimates relied upon by the Company in connection with this Section 4.6 shall be provided in writing by an independent party selected by the Company. The Company will furnish the Insured with any such written cost estimates, if requested by the Insured.

4.7 **Pre-Existing Environmental Conditions** ¾ Any Claim where there is an Environmental Condition which existed on the Property (whether or not known by the Person submitting an Application for coverage of the Loan) as of the Certificate Effective Date, subject to the following provisions:

a. This exclusion will not apply if the existence of such Environmental Condition, or the suspected existence of such Environmental Condition, was specifically disclosed to the Company in the Application relating to the Property.

b. This exclusion will apply only if such Environmental Condition (1) was a principal cause of the Default, and (2) has made the principal Residential structure on the Property uninhabitable. A structure will be considered “uninhabitable” if generally recognized standards for residential occupancy are violated or if, in the absence of such standards, a fully informed and reasonable person would conclude that such structure was not safe to live in without fear of injury to health or safety.

c. This exclusion will not apply if the Environmental Condition is removed or remedied in a timely and diligent manner in accordance with applicable governmental standards for safe residential occupancy.

4.8 **Down Payment** ¾ Any Claim involving a Loan which is for the purchase of the Property, and for which the Borrower did not make a down payment as described in the Application.

4.9 **First Lien Status** ¾ Any Claim, if the mortgage, deed of trust or other similar instrument executed by the Borrower and insured hereunder did not provide the Insured at origination with a first lien on the Property.

4.10 **Breach of the Insured’s Obligations or Failure to Comply with Terms** ¾ Any Claim involving or arising out of any breach by the Insured of its obligations under, or its failure to comply with the terms of, this Policy or of its obligations as imposed by operation of law, if the breach or failure:

a. Materially contributed to the Default resulting in such Claim; or

b. Except for a breach described in Section 2.3, increased the Loss; provided that if the Company can reasonably determine the amount of such increase, such Claim will not be excluded, but the Loss will be reduced to the extent of such amount.

4.11 **Non-Eligible Loans** — Any Loan that did not meet the Eligibility Criteria in effect at the time the related Application was submitted to the Company.

5 Conditions Precedent to Payment of Claim

It is a condition precedent to the Company’s obligation to pay a Loss that the Insured comply with all of the following requirements:

5.1 **Notice of Default** ¾ The Insured must give the Company written notice:

a. Within forty-five (45) days of the Default, if it occurs when the first payment is due under the Loan; or

b. Within ten (10) days of either

1. The date when the Borrower becomes four (4) months in Default on the Loan; or

2. The date when any Appropriate Proceedings which affect the Loan or the Property or the Insured’s or Borrower’s interest therein have been started;

whichever occurs first.

5.2 **Monthly Reports** ¾ Following a notice of Default on the Loan, the Insured must give the Company monthly reports on forms or in a format acceptable to the Company on the status of the Loan and on the servicing efforts undertaken to remedy the Default. These monthly reports may be furnished less frequently if allowed in writing by the Company and must continue until the Borrower is no longer in Default, the Appropriate Proceedings terminate, or until the Insured has acquired the Property.

5.3 **Company's Option to Accelerate Filing of a Claim** ¾ If the Company so directs, at any time after receiving the Insured's notice of Default, the Insured must file a Claim within twenty (20) days after notice from the Company. The Company will then make a payment of Loss in accordance with the percentage guaranty option in Section 6.3(b). Thereafter, following the acquisition of Borrower's Title by the Insured, the Insured will be entitled to file a supplemental Claim at the time prescribed in Section 6.1 in an amount equal to the sum of its advances, less the deductions, all as specified in Section 6.2, to the extent not included in the payment of the initial Claim. Such supplemental Claim must be paid by the Company in accordance with Section 6.3(b). No interest shall be includable in the Claim Amount under this Section 5.3 after the date that the accelerated claim is filed. If a Loan for which the Company has paid a Claim is subsequently brought current by the Borrower, the Insured shall refund to the Company the Loss paid by the Company with respect to that Loan. If the Company exercises its option under this Section 5.3, the Company shall not have the right to direct or participate in a deficiency recovery under Section 7.2.

5.4 **Voluntary Conveyance** ¾ The Insured may only accept a conveyance of the Property from the Borrower in lieu of foreclosure or other proceeding if the prior written approval of the Company has been obtained. Such approval shall not be considered as an acknowledgement of liability by the Company with respect to such Loan.

5.5 **Appropriate Proceedings** ¾ The Insured must begin Appropriate Proceedings no later than when the Loan becomes six (6) months in Default unless the Company provides written instructions that some other action be taken. Such instructions may be general or applicable only to specific Loans. The Company reserves the right to direct the Insured to institute Appropriate Proceedings at any time after Default. When either defending against or bringing Appropriate Proceedings, the Insured must report their status to the Company as reasonably and expeditiously as possible.

In conducting Appropriate Proceedings, the Insured must:

a. Diligently pursue the Appropriate Proceedings once they have begun;

b. Apply for the appointment of a receiver and assignment of rents, if permitted by law and requested by the Company;

c. Furnish the Company with copies of all notices and pleadings filed or required in the Appropriate Proceedings, except as the Company may waive such requirement in writing;

d. Act and bid at the foreclosure sale in accordance with Section 5.11 so that its ability to preserve, transfer and assign to the Company its rights against the Borrower are not impaired; and so that the rights of the Company under this Policy against the Borrower are fully protected. Such rights include any rights to obtain a deficiency judgment, subject to the Company's compliance with Sections 7.2 and 7.3 relating to establishing a deficiency; and

e. When requested by the Company, furnish the Company with a written statement indicating the estimated potential Claim Amount (as computed under Section 6.2) at least fifteen (15) days before the foreclosure sale.

5.6 **Mitigation of Damages** ¾ The Insured must actively cooperate with and assist the Company to prevent and

mitigate the Loss, including good faith efforts by the Insured to obtain a cure of the Default, collect amounts due under the Loan, inspect and appraise the Property and effectuate the early disposition of the Property. The Company must administer this Policy in good faith.

5.7 **Advances** ¾ The Insured must advance:

a. Normal and customary hazard insurance premiums and real estate property taxes, in each case as due and payable;

b. Reasonable and necessary Property protection and preservation expenses approved by the Company at the time the Company reviews the Claim, which shall not include expenditures to remove an exclusion from coverage under Section 4; and

c. Reasonable costs to complete Appropriate Proceedings and eviction and moving of occupants, including related court expenses and attorney's fees.

5.8 **Claim Information and Other Requirements** ¾ The Insured must provide the Company with:

a. All information reasonably requested by the Company;

b. A completed form furnished by or acceptable to the Company for payment of a Claim;

c. If the Property is not being acquired by the Company: a copy of an executed trustee's or sheriff's deed (which may be unrecorded) conveying Borrower's Title to the Property to the Insured (or satisfactory evidence that the foreclosure sale has been completed if the Borrower's right of redemption has not expired); or a deed from the Borrower (which may be unrecorded) if a voluntary conveyance has been approved by the Company, conveying to the Insured the title that was required by the Company in the approval of the conveyance.

In the event the most important cause of Default was a circumstance or event which would prevent the Insured from obtaining Good and Merchantable Title, the Insured shall instead provide the Company with evidence described in Section 5.8(d)(2) that it has acquired Good and Merchantable Title to the Property.

d. If the Property is being acquired by the Company:

1. a recordable deed in normal and customary form containing the customary warranties and covenants conveying to the Company or its designee Good and Merchantable Title to the Property;

2. a title insurance policy acceptable to the Company or an attorney's opinion of title acceptable to the Company, confirming that the Insured has and can convey to the Company Good and Merchantable Title to the Property; and

3. Possession of the Property, but only if the Company has required such Possession in writing.

e. Access to the Property, if requested by the Company under Section 6.4 (b).

5.9 **Acquisition of Borrower's Title Not Required** ¾ The Insured will not be required to acquire Borrower's Title to a Property if (a) the Company approves a sale of the Property prior to a foreclosure sale and such sale is closed; (b) the Company requires an early Claim filing pursuant to Section 5.3, except that such acquisition will be required as a condition to the Insured's filing of a supplemental Claim; or (c) the Property is acquired by someone other than the Insured at a foreclosure sale, as provided in Section 5.11, or thereafter pursuant to exercise of rights of redemption.

5.10 **Sale of a Property by the Insured Before End of Settlement Period**

a. The Insured must submit to the Company any offer to purchase a Property which it receives after the Company has notified the Insured that it will acquire the Property and before the end of the Settlement Period. The Company must then promptly notify the Insured that it will either (1) not approve of such offer, in which case the Company's notice to acquire the Property will remain in effect, or (2) approve such offer, in which case the Company's notice of acquisition will remain in effect, if the approved offer does not close as scheduled. The Insured shall promptly notify the Company if the approved offer does not close as scheduled.

b. If the Company has not notified the Insured that it will acquire the Property, and if the Company's right to acquire the Property has not expired pursuant to Section 6.5 or has not been waived, the Insured must submit to the Company for approval any offer to purchase the Property which would be acceptable to the Insured. The Company shall then promptly either approve or not approve such offer. If the approved offer expires or is terminated, the Company shall be entitled to pay the Loss payable by (1) paying the percentage guaranty option as calculated under Section 6.3(b), or (2) paying the property acquisition settlement option as calculated under Section 6.3(a), and acquiring the Property; but if the Company's right to acquire the Property has expired pursuant to Section 6.5, or been waived, then such acquisition shall be under the same terms and conditions as the expired or terminated offer, except for terms and conditions relating to the sale price and method of payment of the sale price, which shall instead be governed by Section 6.3.

c. The following provisions shall apply to offers submitted to the Company under this Section 5.10:

    1. At the time it presents an offer, the Insured must also provide the Company with a good faith estimate of gross proceeds and expenses in sufficient detail for the Company to calculate the estimated net proceeds described below. The Company may not require any changes to the offer or direct the marketing of the Property or expenditures by the Insured for restoration of the Property as a condition to its approval.

    2. If the Company approves the offer submitted by the Insured, it must also advise the Insured of the estimated net proceeds which it has calculated. The estimated net proceeds calculated by the Company will be the estimated gross sales proceeds to be received by the Insured less all reasonable estimated expenses submitted by the Insured and approved by the Company in its approval of the offer which have been or are expected to be paid by the Insured in obtaining and closing the sale of the Property. If the estimated net proceeds as calculated by the Company is acceptable to the Insured, the Loss payable shall be computed as determined below. If such calculation is not acceptable to the Insured, the offer shall be deemed to have not been approved by the Company.

    3. If the Company approves the offer, the Loss payable by the Company under this Section 5.10 will be the lesser of (i) the actual net amount as calculated below, or (ii) the percentage guaranty option under Section 6.3(b) without regard to a sale of the Property. The actual net amount will be the Claim Amount calculated under Section 6.2, except that (a) delinquent interest will be computed through the closing date for sale of the Property and (b) the Claim Amount shall be reduced by the actual net proceeds realized by the Insured from the sale of the Property. The actual net proceeds will be determined in the same manner as the estimated net proceeds, but on the basis of the actual sales proceeds. For purposes of computing a Loss, such actual net proceeds shall not be less than the estimated net proceeds calculated by the Company under this subparagraph (c), or as otherwise approved by the Company.

    4. The Company shall not unreasonably withhold its approval of expenses submitted to it after its approval of an offer. Expenses paid to Persons employed or controlled by the Insured or the Owner of the Loan or their internal costs will not be allowed in calculation of either the estimated or actual net proceeds.

5. If requested by the Company, the Insured shall advise the Company of the name of the real estate broker or other Person marketing the Property and authorize such broker or other Person to release marketing information about the Property to the Company, if requested by the Company.

5.11 **Foreclosure Bidding Instructions Given by the Company** ¾ The Insured will be entitled to bid at the foreclosure sale held as part of the Appropriate Proceedings any amount which it determines necessary to obtain Borrower's Title to the Property, unless otherwise directed by the Company. The Company will be entitled to direct the Insured to bid an amount to be determined by the Insured within a minimum and maximum range, as follows:

a. The minimum amount shall not be less than the fair market value of the Property, but if there has been Physical Damage to the Property which affects its fair market value (as determined before such Physical Damage) by more than ten per cent (10%), the fair market value of the Property shall be its fair market value after restoration of the Property.

b. The maximum amount shall not exceed the greater of (1) the fair market value of the Property as determined under subparagraph (a) above, or (2) the estimated Claim Amount less the amount which the Company would pay as the percentage guaranty option under Section 6.3(b).

c. For purposes of this Section 5.11, fair market value shall be determined as of a date acceptable to the Company by an opinion of an independent real estate broker, or by an independent appraiser, in either case selected by or acceptable to the Company.

The Insured is not required to acquire Borrower's Title if it has bid in accordance with this Section 5.11, whether or not pursuant to directions from the Company.

5.12 **Effect of Unexpired Redemption Period on Payment of a Claim** ¾ If the Insured files a Claim prior to expiration of an applicable redemption period, the Loss payable shall only be computed through the date of filing of the Claim, and if the Company elects to acquire the Property, the Insured will remain responsible for management and control of the Property until the Company's acquisition thereof, which may be after expiration of the redemption period, but not later than as required by Section 6.4.

If the Company has paid to the Insured a Claim under its percentage guaranty option in Section 6.3 (b), and the related Property is subsequently redeemed by the Borrower, the Insured shall promptly report such redemption to the Company and reimburse the Company for the amount of the Company's Claim payment, to the extent that the sum of the Company's Claim payment and the amount realized by the Insured from the redemption exceeds the Claim Amount, as would have been calculated through the date of redemption.

5.13 **Collection Assistance** ¾ If the Company so requests, the Insured shall permit the Company to cooperatively assist the Insured in the collection of moneys due under the Loan, including obtaining information from the Borrower, attempting to develop payment schedules acceptable to the Insured, conducting Property inspections and requesting appraisals of the Property.

6 Loss Payment Procedure

6.1 **Filing of Claim** ¾ The Insured shall file a Claim after, but no later than sixty (60) days following, the conveyance to the Insured of Borrower's Title to the Property. If the Insured is not required to have Borrower's Title to file a Claim for a reason described in Section 5.9, then the Claim must be filed (a) within sixty (60) days after the Property is conveyed in a pre-foreclosure sale, at the foreclosure sale, or by exercise of the rights of redemption or (b) at the time specified by Section 5.3. If the Insured fails to file a Claim within the applicable time, the Insured will not be entitled to, and the Company will not be obligated for, any payment under this Policy for amounts, including additional interest and expenses, which would otherwise be claimable, but which accrue or are incurred after the sixty (60) day period for filing of a Claim.

If the Insured fails to file a Perfected Claim on a Loan within one (1) year after, as applicable (a) the Insured acquires title to the Property, or (b) the Property is sold by the Borrower in a pre-foreclosure sale with the Company's approval or such other event occurs which is the basis for filing of a Claim under Section 6.1 (or within such longer period of time as the Company may allow in writing), the Insured will no longer be entitled to payment of a Loss on such Loan and the Company will not be obligated to make any Loss payment under this Policy with respect to such Loan.

6.2 **Calculation of Claim Amount** ¾ Subject to Sections 7.5 and 5.3, the Claim Amount will be an amount equal to the sum of:

a. The amount of unpaid principal balance due under the Loan as of the date of Default without capitalization of delinquent interest, penalties or advances; and

b. The amount of accrued and unpaid interest due on the Loan computed at the contract rate stated in the Loan through the date that the Claim is filed with the Company, but excluding applicable late charges, penalty interest or other changes to the interest rate by reason of Default; and

c. The amount of advances incurred by the Insured under Section 5.7 prior to filing of the Claim (except to Persons employed or controlled by the Insured or the Owner of the Loan or their other internal costs) provided that:

1. Attorney's fees advanced for completion of Appropriate Proceedings and obtaining Possession of the Property will not be allowed to the extent they exceed three percent (3%) of the sum of the unpaid principal balance and the accrued and accumulated interest due; and

2. Such advances, other than attorney's fees, must have first become due and payable after the Default, and payment of such advances must be prorated through the date the Claim is filed with the Company;

less:

(i) The amount of all rents and other payments (excluding proceeds of a sale of the Property and the proceeds of fire and extended coverage insurance) collected or received by the Insured, which are derived from or in any way related to the Property;

(ii) The amount of cash remaining in any escrow account as of the last payment date;

(iii) The amount of cash or other collateral to which the Insured has retained the right of possession as security for the Loan;

(iv) The amount paid under applicable fire and extended coverage policies which are in excess of the cost of restoring and repairing the Property, if the Property is damaged, and which has not been paid to the Borrower or applied to the payment of the Loan as required by the terms of the Loan; and

(v) Any other amounts claimed by the Insured to the extent they are excluded from the Claim Amount by reason of Section 4.

6.3 **Payment of Loss; Company's Options** ¾ Within the Settlement Period, but only if the Insured has satisfied all requirements for a payment of Loss and if the Company has received a Perfected Claim, the Company shall at its sole option exercise its:

a. Property acquisition settlement option. Pay to the Insured as the Loss the Claim Amount calculated in accordance with Section 6.2 for the Company's acquisition of the Property; or

b. Percentage guaranty option. Allow the Insured to retain all rights in and title to the Property, and pay to the Insured as the Loss the Claim Amount calculated in accordance with Section 6.2 of this Policy multiplied by the percentage of coverage or as otherwise calculated as specified in the Certificate. However, if prior to the Company's payment of the Loss, a third party acquires title to the Property at the foreclosure sale or a Borrower redeems the Property (unless such acquisition or redemption occurs

because the Insured failed to bid as provided in Section 5.11), then the Company shall pay the lesser of: (i) the percentage guaranty option amount described above; or (ii) the difference between the Claim Amount and the amount realized by the Insured at the foreclosure sale or redemption; or

c. Pre-Claim sale option. Pay to the Insured as the Loss the amount calculated in accordance with Section 5.10, if the terms and conditions of Section 5.10 are met.

In addition to the sum due pursuant to the option described above which the Company selects, the Loss payable by the Company will include the other amounts provided for under Sections 6.5 or 7.2 when such Sections are applicable. The Company will deduct from its payment of Loss such amounts as may be permitted by this Policy and the aggregate amounts of any payments of Loss which it had previously made. In the event of a Loss on a Loan with renewal premiums due monthly, which results from a Default covered under Section 2.6(a), the Company shall deduct from the payment of Loss an amount equal to any unpaid renewal premiums for the subject Loan through the end of the monthly renewal period in which such Default occurred.

6.4 **Calculation of Settlement Period** ¾ The Settlement Period will be a sixty (60) day period after the Company's receipt of a Claim, calculated as follows:

a. No later than the twentieth (20th) day after filing of a Claim, the Company may notify the Insured of additional documents or information which it requires for processing the Claim. The sixty-day period will be suspended until the Company receives such additional documents and information. The Company may request additional documents and information after such twenty-day period, and the Insured must use reasonable efforts to satisfy such request.

b. No later than the sixtieth (60th) day after filing of a Claim, the Company may notify the Insured that it will require access to the Property sufficient to inspect, appraise and evaluate the Property. If the Company does not notify the Insured by that date, its right to such access will be deemed waived. If such notice is given, the Insured will use its best efforts to provide access to the Company and, if access is not then available, the sixty day period will be suspended from the date such notice was given until the Company receives notice from the Insured that access is available to it. If access is in fact not available when sought by the Company after such notice from the Insured, the Company will promptly notify the Insured of such unavailability, and the passage of the sixty day period will remain suspended as if the Insured's notice of availability had not been given to the Company.

c. If the Company has elected to acquire the Property in settlement of a Claim, the sixty day period also will be suspended if necessary for there to be a period of ten (10) days after the date on which the Insured satisfies all conditions to acquisition, including any required restoration of the Property, for the Insured's delivery of a recordable deed and title policy or opinion evidencing Good and Merchantable Title (not subject to any rights of redemption, unless the Company waives such requirement) and, if applicable, delivery of Possession to the Property.

d. If the sixty day period is suspended for more than one reason, the resulting suspended periods will only be cumulative if in fact they occur at different times; to the extent they occur simultaneously, they will not be cumulative.

6.5 **Payment by the Company After the Settlement Period** ¾ If the Company has not paid a Loss during the Settlement Period, then (a) the Company will include in its payment of Loss, if a Loss is ultimately payable, simple interest on the amount payable accruing after the Settlement Period to the date of payment of Loss at the applicable interest rate or rates which would have been payable on the Loan during such period, and (b) the Company will no longer be entitled to acquire the Property as an option for payment of the Loss.

The Company must either pay the amount of applicable Loss (including any additional applicable interest as computed above) or deny the Claim in its entirety within (a) one hundred twenty (120) days after expiration of the Settlement Period, or (b) if the Settlement Period has not expired, no later than one hundred eighty (180) days after filing of the Claim. If at a later date it is finally determined by agreement between the Insured and the

Company (or by completion of legal or other proceedings to which the Insured and the Company are parties) that the Company was not entitled to deny all or a portion of the Claim, the Company will include in any resulting subsequent payment of Loss interest as calculated above through the date of such payment on the amount of Loss which the Company was not entitled to deny.

6.6 **Discharge of Obligation** ¾ Payment by the Company of the amount of Loss required to be paid in accordance with this Policy will be a full and final discharge of its obligation with respect to such Loss under this Policy.

7 Additional Conditions

7.1 **Proceedings of Eminent Domain** ¾ In the event that part or all of a Property is taken by eminent domain, or condemnation or by any other proceedings by federal, state or local governmental unit or agency, the Insured must require that the Borrower apply the maximum permissible amount of any compensation awarded in such proceedings to reduce the principal balance of the Loan, in accordance with the law of the jurisdiction where the Property is located.

7.2 **Pursuit of Deficiencies**

a. The Insured will be entitled to pursue Appropriate Proceedings, or shall at the direction of the Company pursue Appropriate Proceedings through the end of the Settlement Period, which may result in the Borrower becoming liable for a deficiency after completion of the Insured's acquisition of a Property. Such pursuit may not be directed by the Company unless such deficiency is estimated to exceed $7,500. If the Company proposes to pursue a deficiency judgment, in whole or in part for its account, it will notify the Insured at least thirty (30) days before the foreclosure sale. If the Company does not so notify the Insured, the deficiency judgment, if established by the Insured, will be solely for the account of the Insured, and the Company will not be subrogated to any rights to pursue the deficiency judgment.

b. The following provisions will apply if, in completing Appropriate Proceedings there are additional expenses advanced pursuant to Section 5.7 or additional interest accrued on the Loan, due to (1) an additional redemptive period or a delay in acquisition of Borrower's Title, which period or delay is directly related to establishing the deficiency judgment or (2) legal proceedings which are necessary to establish and pursue the deficiency judgment and which would not otherwise be the custom and practice used.

   i. If the deficiency judgment is to be established, in whole or in part, for the account of the Company, the Company must pay the Insured at the time of payment of the Claim, regardless of which settlement option the Company has selected, the full amount of:

      (A) such additional expenses advanced pursuant to Section 5.7 by the Insured; and

      (B) such additional interest accrued on the unpaid principal balance of the Loan at the contract rate stated in the Loan, but excluding applicable late charges, penalty interest, or other changes to the interest rate by reason of Default.

   ii. If the deficiency judgment is not to be established, in whole or in part, for the account of the Company, none of the additional interest or expenses of the type described in subparagraph (i) above will be includable in the Claim Amount or payable at any time by the Company.

   iii. For purposes of determining the additional expenses described in subparagraph (i) above resulting from pursuing the deficiency judgment, the limitation on attorneys' fees in Section 6.2 will not apply.

iv. All of the additional interest, expenses, attorney’s fees and court expenses described in subparagraph (i) above will be accrued or advanced only through acquisition of Borrower’s Title, including any additional redemptive period.

c. The Company and the Insured may agree generally or with respect to a Loan to different terms and conditions than set forth in this Section 7.2. The Company and the Insured also may agree to the joint pursuit or other arrangements for the collection of deficiency judgments on mutually acceptable terms and conditions.

7.3 **Subrogation** ¾ Subject to Section 7.2(a), and only to the extent that the Company is entitled under applicable law to pursue such deficiency rights, the Company will be subrogated, upon payment of the Loss, in the amount thereof and with an equal priority to all of the Insured’s rights of recovery against a Borrower and any other Person relating to the Loan or to the Property. The Insured must execute and deliver at the request of the Company such instruments and papers and undertake such actions as may be necessary to transfer, assign and secure such rights. The Insured shall refrain from any action, either before or after payment of a Loss, that prejudices such rights.

7.4 **Policy for Exclusive Benefit of the Insured and the Owner** ¾ A Commitment and Certificate issued as the result of any Application submitted hereunder and the coverage provided under this Policy will be for the sole and exclusive benefit of the Insured and the Owner of the related Loan, and in no event will any Borrower or other Person be deemed a party to, or an intended beneficiary of, this Policy or any Commitment or Certificate.

7.5 **Effect of Borrower Insolvency or Bankruptcy on Principal Balance** ¾ If under applicable insolvency or bankruptcy law, a Loan’s principal balance secured by a Property is reduced (after all appeals of such reduction are final or the time for such appeals has lapsed without appeal), the portion of such principal balance of the Loan not secured by the Property, and related interest, will be includable in the Claim Amount, as provided in this Section 7.5.

If a Default occurs on the Loan, the Insured has acquired Borrower’s Title or Good and Merchantable Title to the Property as required by this Policy, and all other requirements for filing of a Claim are complied with, the Insured will be entitled to include in the Claim Amount (a) the amount of the principal balance of the Loan which was deemed unsecured under applicable insolvency or bankruptcy law, less any collections or payments on such unsecured principal balance received by the Insured, and (b) interest thereon at the rate and as computed in Section 6.2, from the date of Default giving rise to the Claim (but for no prior period). In no event will any expenses or other amounts associated with the amount by which the principal balance of the Loan became unsecured be includable in the Claim Amount, directly or by an addition to the principal balance includable in the Claim Amount.

7.6 **Arbitration of Disputes; Suits and Actions Brought by the Insured**

a. Unless prohibited by applicable law, all controversies, disputes or other assertions of liability or rights arising out of or relating to this Policy, including the breach, interpretation or construction thereof, shall be settled by arbitration. Notwithstanding the foregoing, the Company or the Insured both retain the right to seek a declaratory judgement from a court of competent jurisdiction on matters of interpretation of the Policy. Such arbitration shall be conducted in accordance with the Title Insurance Arbitration Rules of the American Arbitration Association in effect on the date the demand for arbitration is made, or if such Rules are not then in effect, such other Rules of the American Arbitration Association as the Company may designate as its replacement.

The arbitrator(s) shall be neutral person(s) selected from the American Arbitration Association’s National Panel of Arbitrators familiar with the mortgage lending or mortgage guaranty insurance business. Any proposed arbitrator may be disqualified during the selection process, at the option of either party, if they are, or during the previous two (2) years have been, an employee, officer or director of any mortgage guaranty insurer, or of any entity engaged in the origination, purchase, sale or servicing of mortgage

loans or mortgage-backed securities.

b. No suit or action (including arbitration hereunder) brought by the Insured against the Company with respect to the Company's liability for a Claim under this Policy shall be sustained in any court of law or equity or by arbitration unless the Insured has substantially complied with the terms and conditions of this Policy, and unless the suit or action is commenced within three (3) years (five (5) years in Florida or Kansas) after the Insured has acquired Borrower's Title to the Property or sale of the Property approved by the Company is completed, whichever is applicable to a Loan. No such suit or action with respect to a Claim may be brought by the Insured against the Company until sixty (60) days after such acquisition of Borrower's Title or sale, as applicable to a Loan.

c. If a dispute arises concerning the Loan which involves either the Property or the Insured, the Company has the right to protect its interest by defending the suit, even if the allegations contained in such suit are groundless, false or fraudulent. The Company is not required to defend any lawsuit involving the Insured, the Property or the Loan.

7.7 **Release of Borrower; Defenses of Borrower** ¾ The Insured's execution of a release or waiver of the right to collect any portion of the unpaid principal balance of a Loan or other amounts due under the Loan will release the Company from its obligation under its Certificate to the extent and amount of said release. If, under applicable law, the Borrower successfully asserts defenses which have the effect of releasing, in whole or in part, the Borrower's obligation to repay the Loan, or if for any other reason the Borrower is released from such obligation, the Company will be released to the same extent and amount from its liability under this Policy, except as provided by Section 7.5.

7.8 **Amendments; No Waiver; Rights and Remedies; Use of Term "Including"**

a. The Company reserves the right to amend the terms and conditions of this Policy from time to time; provided, however, that any such amendment will be effective only after the Company has given the Insured written notice thereof by endorsement setting forth the amendment. Such amendment will only be applicable to those Certificates where the related Commitment was issued on or after the effective date of the amendment.

b. No condition or requirement of this Policy will be deemed waived, modified or otherwise compromised unless that waiver, modification or compromise is stated in a writing properly executed on behalf of the Company. Each of the conditions and requirements of this Policy is severable, and a waiver, modification or compromise of one will not be construed as a waiver, modification or compromise of any other.

c. No right or remedy of the Company provided for by this Policy will be exclusive of, or limit, any other rights or remedies set forth in this Policy or otherwise available to the Company at law or equity.

d. As used in this Policy, the term "include" or "including" will mean "include or including, without limitation."

7.9 **No Agency** ¾ Neither the Insured, any Servicer or Owner, nor any of their employees or agents, will be deemed for any reason to be agents of the Company. Neither the Company, nor any of its employees or agents, will be deemed for any reason to be agents of any Insured, Servicer or Owner.

7.10 **Successors and Assigns** ¾ This Policy will inure to the benefit of and shall be binding upon the Company and the Insured and their respective successors and permitted assigns.

7.11 **Applicable Law and Conformity to Law** ¾ All matters under this Policy will be governed by and construed in accordance with the laws of the jurisdiction in which the office of the original Insured on a Certificate is located. Any provision of this Policy which is in conflict with any provision of the law of such jurisdiction is hereby amended to conform to the provisions required by that law.

7.12 **Notice** ¾ All claims, premium payments, tenders, reports, other data and any other notices required to be submitted to the Company by the Insured must be sent to the Company at MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, WI 53202. The Company may change this address by giving written notice to the Insured. Unless the Insured otherwise notifies the Company in writing, all notices to the Insured must be sent to the address on the face of this Policy or, if the Insured is not located at such address, to the last known address of the Insured.

All notices under this Policy, whether or not identified in this Policy as required to be in writing, will be effective only if in writing and only upon receipt thereof. Written notices may instead be given in the form of telecopy or, if acceptable to the Company (for notices given to the Company) or to the Insured (for notices given to the Insured) in the form of computer tape or computer-generated or any other electronic message. A telecopy or such tape or message shall be effective only when received. The Company and the Insured may mutually agree that notices will be sent to any additional Person. Except as expressly agreed to by the Company and the Insured, no liability shall be incurred by the Company for the failure to give a notice to a Person other than the Insured.

7.13 **Reports and Examinations** ¾ The Company may request, and the Insured must provide, such files, reports or information as the Company may deem necessary pertaining to any Loan, and the Company will be entitled to inspect the files, books and records of the Insured or any of its representatives pertaining to such Loan.

7.14 **Electronic Media** ¾ The Company and the Insured may, from time to time, deliver or transfer information, documents or other data between them by electronic media acceptable to them. In addition, the Company and the Insured may maintain information, documents or other data on electronic media or other media generally accepted for business records, including microfiche. Such electronic or other media will be as equally acceptable for all purposes between the Insured and the Company as information, documents or other data maintained in printed or written form.

Exhibit 99.2

Mortgage Guaranty Insurance Corporation **MGIC**
250 E. Kilbourn Avenue
P.O. Box 488, Milwaukee, Wisconsin 53201-0488

Restated through 2/25/09 – [applicable to lenders with master reporting (delegated) authority]

Master Reporting Program Endorsement

The purpose of this Endorsement is to amend terms and conditions of the Policy to provide for the insurance of Loans under the Master Reporting Program made available by the Company to certain Insureds to whom this Endorsement is issued. An Insured will be entitled to submit Loans for insurance under this Endorsement unless this Endorsement is revoked by the Company. The Company reserves the right to revoke this Endorsement immediately upon written notice to the Insured. This Endorsement will apply only to a Loan which is identified by the Company as being insured under the Master Reporting Program. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. The following additional definitions are added to Section 1 of the Policy:

1.27 **Eligibility Criteria** means the requirements established by the Company from time to time applicable to qualification of a Loan for insurance under this Policy (including approved mortgage loan programs, maximum loan-to-value ratios and original principal amounts, coverage limitations, underwriting requirements and payment status) and of which the Company advises the Insured (by notice to the Insured as provided for in this Policy or by general publication in underwriting guides, premium rate cards, or other written or electronic communications) prior to the Loan becoming insured, and as the Company may amend same from time to time and advise or notify the Insured prior to such amendment becoming effective.

1.28 **Transmittal** means all data and information provided to the Company in connection with insuring a Loan under this Policy and all exhibits and documents furnished to the Company in connection therewith. Whenever the term "Application" is used in this Policy, the term "Transmittal" and its definition will be substituted therefor.

1.29 **Loan File** means, with respect to a Loan, copies of all documents (including all data and information in electronic format) created or received in connection with the origination and closing of the Loan, including the Borrower's loan application, purchase contract, appraisal, credit report, verifications of employment, income and deposit, and HUD-1 or other settlement statement.

B. Sections 2.1 through 2.4 of the Policy are deleted in their entirety and replaced with the following:

2.1 **Loan Underwriting and Obtaining Coverage** – This Policy shall automatically extend to each Loan which is submitted for coverage under this Policy, provided that it is made in accordance with the terms and provisions of this Policy, including the Eligibility Criteria, and is evidenced by a Certificate issued by the Company. In order to obtain coverage under this Policy for a Loan, a duly completed Transmittal must be submitted to the Company within thirty (30) days after the Insured makes or acquires the Loan (or such longer period as allowed by the Company), and the Company shall then issue a Commitment and Certificate, if all applicable requirements are satisfied.

If the Insured or the Person acting on its behalf denies the mortgage loan application received by it from the applicant, the Insured will be responsible for notifying the applicant in compliance with any applicable

state or federal laws or regulations, including the Equal Credit Opportunity Act and any other similar law or regulation.

2.2 **Representations of the Insured** – The Insured represents to the Company that:

a. all statements made and information provided to the Company in a Transmittal or in a Commitment or Certificate (including as such is related to continuation of coverage upon assumption of a Loan) are supported by statements and information in the Loan File;

b. all statements made and information provided to the Company in a Transmittal when provided to the Company or contained in any Commitment or Certificate or contained in the Loan File when the Loan is closed are not false or misleading in any material respect as of such date(s) and do not omit any fact necessary in order to make such statements and information not false or misleading in any material respect as of such date(s); and

c. the Loan complies with the Eligibility Criteria in effect at the time the Transmittal is submitted to the Company. For purposes of this subparagraph (c), Section 2.4 of this Policy shall not apply to a determination as to whether a Loan complies with the Eligibility Criteria.

The foregoing representations will apply to all statements and information provided to the Company in the Transmittal, Commitment or Certificate or contained in the Loan File, whether made or submitted by the Insured, the Borrower or any other Person, and will be deemed to have been made and provided for and on behalf of the Insured. The foregoing representations shall be effective whether or not they are made by the Insured or other Person with the intent to deceive or mislead, or with the knowledge that they are not true and correct.

It is understood and agreed that such statements and information in the Transmittal, Commitment or Certificate, or Loan File in the aggregate are, and in certain instances individually may be, material to the Company's decision to offer, provide or so continue coverage of the related Loan; the Company issues the related Commitment and Certificate or continues coverage in reliance on the accuracy and completeness of such statements and information submitted to it; and the Company's reliance on the representations in this Section 2.2 survive the issuance of a Commitment and Certificate or such continuation of coverage and any later review or audit of the Insured's files by the Company. Without otherwise limiting the scope of this Section 2.2, a breach of Section 4.8 relating to down payment will be deemed a material misrepresentation for purposes of this Section 2.2.

2.3 **Company's Remedies for Misrepresentation** – Subject to Section 2.4, if any of the Insured's representations as described in Section 2.2 are materially false or misleading with respect to a Loan, the Company will have at its option, the right to defend against a Claim on such Loan, or to the extent permitted by applicable law, to cancel or rescind coverage under the Certificate related to such Loan retroactively to commencement of coverage (or if the misrepresentation occurs with respect to continuation of coverage upon assumption of a Loan, to so defend, cancel or rescind retroactively to the date of such continuation). In the case of such cancellation or recission, the Company shall return at that time all paid premiums retroactively to such applicable date.

2.4 **Incontestability for Certain Misrepresentations** – Notwithstanding Sections 2.2 and 2.3, no Claim for Loss will be denied or adjusted, nor will such Certificate's coverage be rescinded or canceled, by reason of any misrepresentations (whether by statements made or information provided, or of statements or information omitted) contained in a Transmittal or the related Loan File, provided that all of the following

requirements, conditions and circumstances, to the extent not waived in writing at the option of the Company, are satisfied:

a. The misrepresentation must not have been:

   1. knowingly made, or knowingly participated in, by:

      (i) the Insured or any other Person which originated the Loan;

      (ii) a correspondent lender, mortgage loan broker or other intermediary underwriting or processing the Loan on behalf of the Insured or any other Person which originated the Loan; or

      (iii) an escrow or closing agent, or any other agent of, or broker for, the Insured or any other Person which originated the Loan acting with respect to the Loan or the related Property transaction; or

2. made, whether or not knowingly, by an appraiser, provider of an automated valuation model, or any other Person providing a valuation of the Property that is used in underwriting, processing or originating the Loan and that is submitted to the Company for the purpose of establishing the Value of the Property.

b. This Section 2.4 will not apply to a Certificate if within twelve (12) months before or after a material misrepresentation by a Borrower or other Person (other than those Persons identified in Section 2.4(a) above), there are one or more material misrepresentations in a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company or created or received in connection with origination or closing of such mortgage loan (i) with respect to three or more other mortgage loans insured at any time by the Company for the Insured or any other lender and (ii) which result from the direct or indirect acts or omissions of the same Borrower or same other Person (including any other Person acting directly or indirectly in concert).

c. This Section 2.4 shall not be construed to limit the applicability of Section 4.4(b) to a misrepresentation covered by this Section 2.4.

d. The Company's payment of a Claim will not limit any rights which the Company has against the Borrower or any other Person (other than the Insured) for any misrepresentation.

C. Section 2.12 of the Policy is added with the following:

2.12 **Post Underwriting Review and Copies of Loan Files** – The Company or representatives designated by it will have the right, from time to time, upon thirty (30) days advance notice to the Insured, to conduct a post underwriting review (including inspection) of the Loan Files and other information, papers, files, documents, books, records, agreements, and electronically stored data prepared or maintained by or in the possession or under the control of the Insured pertaining to or in connection with Loans insured under this Policy. The Company will have the right to conduct the review on the Insured's premises during normal business hours. The Insured must cooperate fully with the review. In addition, either in connection with such review or separately, the Company will have the right upon thirty (30) days prior written notice to obtain from the Insured a copy of the Loan File for any Loan for which a Commitment or Certificate has been issued pursuant to this Policy. If for any reason the Insured fails to provide a copy of a Loan File at the time of the Company's review or upon the Company's other notice, the Company will provide a second notice to the Insured, allowing the Insured to provide it within an additional thirty (30) day period. If for any reason the Insured fails to provide a copy of a Loan File within the additional thirty day period, then, at the Company's option, the Company will have the right to cancel coverage under the related Certificate.

D. Section 4.8 is deleted in its entirety and replaced with the following:

4.8 **Down Payment** – Any Claim involving a Loan which is for the purchase of the Property, and for which the Borrower did not make a down payment as described in the Transmittal or Loan File.

E. Section 4.11 of the Policy is added with the following:

4.11 **Non-Eligible Loans** – Any Loan that did not meet the Eligibility Criteria in effect at the time the related Transmittal was submitted to the Company.

F. Section 7.9 of the Policy is deleted in its entirety and replaced with the following:

7.9 **No Agency** – Neither the Insured, any Servicer, or Owner nor any of their employees or agents (including the Persons underwriting the Loan on behalf of the Insured) will be deemed for any reason to be agents of

the Company. Neither the Company, nor any of its employees or agents, will be deemed for any reason to be agents of any Insured, Servicer or Owner.

All terms capitalized herein will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.