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

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **SEPTEMBER 30, 2003**

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

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

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

YES __X__ **NO**

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES __X__ **NO**

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

CLASS OF STOCK	PAR VALUE	DATE	NUMBER OF SHARES
Common stock	$1.00	10/31/03	98,448,344

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)
Consolidated Balance Sheet as of September 30, 2003 (Unaudited) and December 31, 2002
Consolidated Statement of Operations for the Three and Nine Month Periods Ended September 30, 2003 and 2002 (Unaudited)
Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2003 and 2002 (Unaudited)
Notes to Consolidated Financial Statements (Unaudited)
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3. Quantitative and Qualitative Disclosures About Market Risk
Item 4. Controls and Procedures
PART II. OTHER INFORMATION
Item 6. Exhibits and Reports on Form 8-K
SIGNATURES
INDEX TO EXHIBITS
EX-11 Computation of Net Income Per Share
EX-31.1 Certification of CEO under Section 302
EX-31.2 Certification of CFO under Section 302
EX-32 Certifcation of CEO & CFO under Section 906

MGIC INVESTMENT CORPORATION
TABLE OF CONTENTS

		Page No.
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	
	Consolidated Balance Sheet as of September 30, 2003 (Unaudited) and December 31, 2002	3
	Consolidated Statement of Operations for the Three and Nine Month Periods Ended September 30, 2003 and 2002 (Unaudited)	4
	Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2003 and 2002 (Unaudited)	5
	Notes to Consolidated Financial Statements (Unaudited)	6-13
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14-33
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	34
Item 4.	Controls and Procedures	34
PART II. OTHER INFORMATION		
Item 6.	Exhibits and Reports on Form 8-K	34-35
SIGNATURES		36
INDEX TO EXHIBITS		37

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 2003 (Unaudited) and December 31, 2002

	September 30, 2003	December 31, 2002
ASSETS	(In thousands of dollars)	
Investment portfolio:		
Securities, available-for-sale, at market value:		
Fixed maturities	$ 4,884,144	$ 4,613,462
Equity securities	7,390	10,780
Short-term investments	213,548	102,230
Total investment portfolio	5,105,082	4,726,472
Cash	9,068	11,041
Accrued investment income	56,976	58,432
Reinsurance recoverable on loss reserves	18,730	21,045
Reinsurance recoverable on unearned premiums	7,457	8,180
Premiums receivable	107,788	97,751
Home office and equipment, net	37,543	35,962
Deferred insurance policy acquisition costs	33,735	31,871
Investments in joint ventures	279,373	240,085
Other assets	85,660	69,464
Total assets	$ 5,741,412	$ 5,300,303
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves	$ 956,541	$ 733,181
Unearned premiums	162,248	170,167
Short- and long-term debt (note 2)	604,717	677,246
Income taxes payable	121,154	133,843
Other liabilities	197,748	190,674
Total liabilities	2,042,408	1,905,111
Contingencies (note 4)		
Shareholders' equity:		
Common stock, $1 par value, shares authorized 300,000,000; shares issued, 9/30/03 — 121,586,617 12/31/02 — 121,418,637; shares outstanding, 9/30/03 — 98,506,544 12/31/02 — 100,251,444	121,587	121,419
Paid-in surplus	238,484	232,950
Members' equity	935	380
Treasury stock (shares at cost, 9/30/03 — 23,080,073 12/31/02 — 21,167,193)	(1,111,027)	(1,035,858)
Accumulated other comprehensive income, net of tax	138,049	147,908
Retained earnings	4,310,976	3,928,393
Total shareholders' equity	3,699,004	3,395,192
Total liabilities and shareholders' equity	$ 5,741,412	$ 5,300,303

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Three and Nine Month Periods Ended September 30, 2003 and 2002
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(In thousands of dollars, except per share data)			
Revenues:				
Premiums written:				
Direct	$ 375,707	$ 336,516	$ 1,097,665	$ 957,065
Assumed	35	105	77	242
Ceded (note 3)	(29,130)	(35,260)	(89,042)	(86,234)
Net premiums written	346,612	301,361	1,008,700	871,073
(Increase) decrease in unearned premiums	(7)	(2,408)	7,196	498
Net premiums earned	346,605	298,953	1,015,896	871,571
Investment income, net of expenses	50,049	51,036	151,446	154,640
Realized investment gains, net	6,740	8,891	33,375	21,984
Other revenue	42,197	31,926	127,372	102,014
Total revenues	445,591	390,806	1,328,089	1,150,209
Losses and expenses:				
Losses incurred, net	220,726	101,094	536,057	225,224
Underwriting and other expenses, net	76,800	64,646	230,304	192,163
Interest expense	10,191	10,070	30,892	26,522
Total losses and expenses	307,717	175,810	797,253	443,909
Income before tax	137,874	214,996	530,836	706,300
Provision for income tax	32,745	63,426	140,820	214,607
Net income	$ 105,129	$ 151,570	$ 390,016	$ 491,693
Earnings per share (note 5):				
Basic	$ 1.07	$ 1.47	$ 3.94	$ 4.69
Diluted	$ 1.06	$ 1.47	$ 3.94	$ 4.66
Weighted average common shares outstanding — diluted (shares in thousands, note 5)	98,825	103,361	99,083	105,511
Dividends per share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2003 and 2002
(Unaudited)

	Nine Months Ended September 30,	
	2003	2002
	(In thousands of dollars)	
Cash flows from operating activities:		
Net income	$ 390,016	$ 491,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred insurance policy acquisition costs	21,495	17,900
Increase in deferred insurance policy acquisition costs	(23,359)	(17,632)
Depreciation and amortization	15,820	8,730
Decrease in accrued investment income	1,456	3,786
Decrease in reinsurance recoverable on loss reserves	2,315	4,222
Decrease (increase) in reinsurance recoverable on unearned premiums	723	(297)
Increase in loss reserves	223,360	53,513
Decrease in unearned premiums	(7,919)	(200)
(Decrease) increase in income taxes payable	(12,689)	73,963
Equity earnings in joint ventures	(60,125)	(58,951)
Other	(15,377)	(99,437)
Net cash provided by operating activities	535,716	477,290
Cash flows from investing activities:		
Purchase of fixed maturities	(2,339,236)	(1,985,114)
Additional investment in joint ventures	(7,793)	—
Sale of investment in joint ventures	3,396	—
Sale of equity securities	4,133	3,424
Proceeds from sale or maturity of fixed maturities	2,078,154	1,695,034
Net cash used in investing activities	(261,346)	(286,656)
Cash flows from financing activities:		
Dividends paid to shareholders	(7,433)	(7,845)
Proceeds from issuance of long-term debt	—	199,992
Repayment of short- and long-term debt	(73,537)	(40,446)
Reissuance of treasury stock	335	16,696
Repurchase of common stock	(89,192)	(338,818)
Common stock issued	4,802	308
Net cash used in financing activities	(165,025)	(170,113)
Net increase in cash and short-term investments	109,345	20,521
Cash and short-term investments at beginning of period	113,271	186,352
Cash and short-term investments at end of period	$ 222,616	$ 206,873

See accompanying notes to consolidated financial statements.

Table of Contents

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003
(Unaudited)

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

The accompanying unaudited consolidated financial statements of MGIC Investment Corporation (the "Company") and its majority owned subsidiaries have been prepared in accordance with the instructions to Form 10-Q and do not include all of the other information and disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2002 included in the Company's Annual Report on Form 10-K for that year.

The accompanying consolidated financial statements have not been audited by independent accountants in accordance with generally accepted auditing standards, but in the opinion of management such financial statements include all adjustments, including normal recurring accruals, necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the nine months ended September 30, 2003 may not be indicative of the results that may be expected for the year ending December 31, 2003.

Deferred insurance policy acquisition costs

Costs associated with the acquisition of mortgage insurance business, consisting of employee compensation and other policy issuance and underwriting expenses, are initially deferred and reported as deferred acquisition costs ("DAC"). Because Statement of Financial Accounting Standards ("SFAS") No. 60, Accounting and Reporting by Insurance Enterprises, specifically excludes mortgage guaranty insurance from its guidance relating to the amortization of DAC, amortization of these costs for each underwriting year book of business is charged against revenue in proportion to estimated gross profits over the estimated life of the policies using the guidance of SFAS No. 97, Accounting and Reporting by Insurance Enterprises For Certain Long Duration Contracts and Realized Gains and Losses From the Sale of Investments. This includes accruing interest on the unamortized balance of DAC. The estimates for each underwriting year are updated annually to reflect actual experience and any changes to key assumptions such as persistency or loss development.

The Company amortized $21.5 million and $17.9 million of deferred insurance policy acquisition costs during the nine months ended September 30, 2003 and 2002, respectively.

Loss reserves

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

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

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

Revenue recognition

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

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

Note 2 – Short- and long-term debt

The Company has a $285 million commercial paper program, which is rated "A-1" by Standard and Poors ("S&P") and "P-1" by Moody's. At September 30, 2003 and 2002, the Company had $105.0 million and $134.0 million in commercial paper outstanding with a weighted average interest rate of 1.15% and 1.85%, respectively.

The Company has a $285 million credit facility available at September 30, 2003, expiring in 2006. Under the terms of the credit facility, the Company must maintain shareholders' equity of at least $2.25 billion and Mortgage Guaranty Insurance Corporation ("MGIC") must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders' position (which includes MGIC's surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At September 30, 2003, the Company met these requirements. The facility is currently being used as a liquidity back up facility for the outstanding commercial paper. The remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $180.0 million at September 30, 2003.

The Company had $300 million, 7.5% Senior Notes due in 2005 and $200 million, 6% Senior Notes due in 2007 outstanding at September 30, 2003 and 2002.

Interest payments on all long-term and short-term debt were $28.8 million and $23.0 million for the nine months ended September 30, 2003 and 2002, respectively. At September 30, 2003, the market value of the outstanding debt is $648.2 million.

The Company uses interest rate swaps to hedge interest rate exposure associated with its short- and long-term debt. In 2000, the Company paid an interest rate based on LIBOR and received a fixed rate of 7.5% to hedge the 5 year Senior Notes issued in the fourth quarter of 2000. These swaps were terminated in September 2001. In January 2002, the Company initiated a new swap which was designated as a fair value hedge of the 7.5% Senior Notes. This swap was terminated in June 2002. In May 2002, a swap designated as a cash flow hedge was amended to coincide with the new credit facility. Under the terms of the swap contract, the Company pays a fixed rate of 5.43% and receives an interest rate based on LIBOR. The swap has an expiration date coinciding with the maturity of the credit facility and is designated as a cash flow hedge. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items. Expenses on the swaps for the nine months ended September 30, 2003 and 2002 of approximately $2.5 million and $1.0 million, respectively, were included in interest expense. The cash flow swap outstanding at September 30, 2003 and December 31, 2002 is evaluated quarterly using regression analysis with any ineffectiveness being recorded as an expense. To date this evaluation has not resulted in any hedge ineffectiveness. The swaps are subject to credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

Note 3 – Reinsurance

The Company cedes a portion of its business to reinsurers and records assets for reinsurance recoverable on estimated reserves for unpaid losses and unearned premiums. Business written between 1985 and 1993 is ceded under various quota share reinsurance agreements with several reinsurers who are not affiliated with mortgage lenders. The Company receives a ceding commission in connection with this reinsurance. In addition, beginning in 1997, the Company has ceded business to captive reinsurance subsidiaries of certain mortgage lenders primarily under excess of loss agreements.

The reinsurance recoverable on loss reserves and the reinsurance recoverable on unearned premiums primarily represent amounts ceded to large international reinsurers. Generally, reinsurance recoverables on loss reserves and unearned premiums are backed by trust funds or letters of credit. No reinsurer represents more than $3 million of the aggregate amount recoverable on these items.

Note 4 – Contingencies and litigation settlement

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

In addition, in March 2003 an action against MGIC was filed in Federal District Court in Orlando, Florida seeking certification of a nationwide class of consumers who were required to pay for private mortgage insurance written by MGIC and whose loans were insured at less than MGIC's "best available rate" based on credit scores obtained by MGIC. (A portion of MGIC's A minus premium rates are based in part on the credit score of the borrower.) The action alleges that the Federal Fair Credit Reporting Act ("FCRA") requires a notice to borrowers of such "adverse action" and that MGIC has violated FCRA by failing to give such notice. The action seeks statutory damages (which in the case of willful violations, in addition to punitive damages, may be awarded in an amount of $100 to $1,000 per class member) and/or actual damages of the persons in the class, and attorneys fees, as well as declaratory and injunctive relief. The action also alleges that the failure to give notice to borrowers in Florida in the circumstances alleged is a violation of Florida's Unfair and Deceptive Acts and Practices Act and seeks declaratory and injunctive relief for such violation. There can be no assurance that the outcome of the litigation will not materially affect the Company's financial position or results of operations.

In June 2001, the Federal District Court for the Southern District of Georgia, before which Downey et. al. v. MGIC was pending, issued a final order approving a settlement agreement and certified a nationwide class of borrowers. In the fourth quarter of 2000, the Company recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. Due to appeals by members of classes in two related

cases, payments to borrowers in the settlement were delayed pending the outcome of the appeals. The settlement became final when these appeals were dismissed in October 2003. The settlement includes an injunction expiring at the end of 2003 that prohibits certain practices and specifies the basis on which agency pool insurance, captive mortgage reinsurance, contract underwriting and other products may be provided in compliance with the Real Estate Settlement Procedures Act. There can be no assurance that the standards established by the injunction will be determinative of compliance with the Real Estate Settlement Procedures Act were additional litigation to be brought in the future.

The complaint in the case alleged that MGIC violated the Real Estate Settlement Procedures Act by providing agency pool insurance, captive mortgage reinsurance, contract underwriting and other products that were not properly priced, in return for the referral of mortgage insurance. The complaint sought damages of three times the amount of the mortgage insurance premiums that had been paid for the mortgage insurance found to be involved in a violation of the Real Estate Settlement Procedures Act. The complaint also sought injunctive relief, including prohibiting MGIC from receiving future premium payments.

Note 5 – Earnings per share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(Shares in thousands)			
Weighted-average shares — Basic EPS	98,489	102,825	98,879	104,793
Common stock equivalents	336	536	204	718
Weighted-average shares — Diluted EPS	98,825	103,361	99,083	105,511

Note 6 – New accounting standards

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, Accounting for Stock- Based Compensation — Transition and Disclosure, an amendment to SFAS No. 123, Accounting for Stock-Based Compensation.

Effective January 1, 2003, the Company adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, prospectively to all employee awards granted or modified on or after January 1, 2003. Awards under the Company's plans generally vest over periods ranging from one to five years. The cost related to stock-based employee compensation included in the determination of net income for 2003 is less than that which would have been recognized if the fair value

based method had been applied to all awards since the original effective date of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(In thousands of dollars, except per share data)			
Net income, as reported	$ 105,129	$ 151,570	$ 390,016	$ 491,693
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1,058	663	3,088	1,947
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,581)	(3,162)	(7,923)	(9,264)
Pro forma net income	$ 103,606	$ 149,071	$ 385,181	$ 484,376
Earnings per share:				
Basic — as reported	$ 1.07	$ 1.47	$ 3.94	$ 4.69
Basic — pro forma	$ 1.05	$ 1.45	$ 3.90	$ 4.62
Diluted — as reported	$ 1.06	$ 1.47	$ 3.94	$ 4.66
Diluted — pro-forma	$ 1.05	$ 1.44	$ 3.89	$ 4.59

Note 7 — Comprehensive income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(In thousands of dollars)			
Net Income	$ 105,129	$ 151,570	$ 390,016	$ 491,693
Other comprehensive income (loss)	(37,449)	100,814	(9,859)	150,765
Total comprehensive income	$ 67,680	$ 252,384	$ 380,157	$ 642,458
Other comprehensive income (loss) (net of tax):				
Unrealized gain (loss) on investments	$ (38,627)	$ 103,623	$ (11,163)	$ 151,412
Net derivative gains (losses)	908	(3,079)	494	(1,457)
Amortization of deferred losses	270	270	810	810
Other comprehensive income (loss)	$ (37,449)	$ 100,814	$ (9,859)	$ 150,765

The difference between the Company's net income and total comprehensive income for the nine months ended September 30, 2003 and 2002 is due to the change in unrealized appreciation/depreciation on investments, and the market value adjustment of the hedges, both net of tax.

Note 8 — Accounting for Derivatives and Hedging Activities

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

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are

designated as fair-value or cash-flow hedges to specific assets and liabilities on the balance sheet or forecasted transactions. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If and when it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

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

Results of Consolidated Operations

Three Months Ended September 30, 2003 Compared With Three Months Ended September 30, 2002

Net income for the three months ended September 30, 2003 was $105.1 million, compared to $151.6 million for the same period of 2002, a decrease of 31%. Diluted earnings per share for the three months ended September 30, 2003 was $1.06, compared to $1.47 for the same period last year, a decrease of 28%. Adjusted weighted average diluted shares outstanding for the quarter ended September 30, 2003 and 2002 were 98.8 million and 103.4 million, respectively. As used in this report, the term "Company" means the Company and its consolidated subsidiaries, which do not include less than majority owned joint ventures in which the Company has an equity interest.

Total revenues for the third quarter 2003 were $445.6 million, an increase of 14% from the $390.8 million for the third quarter 2002. This increase was due to increases in premiums written and other revenue. See below for a further discussion of premiums and other revenue.

Losses and expenses for the third quarter were $307.7 million, an increase of 75% from $175.8 million for the same period of 2002. The increase from last year can be attributed to a 118% increase in losses incurred, which primarily related to an increase in delinquent loans and paid losses, and an increase in underwriting expenses of 19%, which, among other items, related to increases in insurance and contract underwriting expenses. See below for a further discussion of losses incurred and expenses.

The amount of new primary insurance written by MGIC during the three months ended September 30, 2003 was $28.0 billion, compared to $21.9 billion in the same period of 2002, an increase of $6.1 billion. New insurance written on a flow basis increased $3.2 billion during the third quarter of 2003 compared to the corresponding quarter of 2002, with refinance volume increasing over last year. New insurance written in the bulk channel increased $2.9 billion during the three months ended September 30, 2003 compared to the same period of 2002.

There is a delay between the time borrowers receive loan commitments from mortgage lenders and the time loans close. As a result, mortgage origination activity during a quarter and related flow mortgage insurance written will in part reflect the mortgage lending environment during the prior quarter. Due to the substantial decline in mortgage refinance commitments during the third quarter of 2003, the Company expects new insurance written on a flow basis in the fourth quarter will decrease substantially from the level of the third quarter.

The $28.0 billion of new primary insurance written during the third quarter of 2003 was offset by the cancellation of $30.6 billion of insurance in force, and resulted in a net decrease of $2.6 billion in primary insurance in force, compared to new primary insurance written of $21.9 billion, the cancellation of $19.8 billion of insurance in force and a net increase of $2.1 billion in primary insurance in force during the third quarter of 2002. Direct primary insurance in force was $191.0 billion at September 30, 2003 compared to $197.0 billion at December 31, 2002 and $196.6 billion at September 30, 2002.

Cancellation activity has historically been affected by the level of mortgage interest rates. Cancellations generally move inversely to the change in the direction of interest rates, although they generally lag a change in direction. MGIC's persistency rate (percentage of insurance remaining in force from one year prior) declined to 44.9% at September 30, 2003 from 49.8% at June 30, 2003; persistency was 56.8% at December 31, 2002 and 58.9% at September 30, 2002. In view of the decline in refinance activity, the Company expects that persistency will improve during the fourth quarter of 2003, although the extent of the improvement is not possible to forecast accurately. The Company is not undertaking any obligation to provide an update of this expectation should it subsequently change.

New insurance written for bulk transactions was $7.3 billion during the third quarter of 2003 compared to $6.6 billion during the second quarter of 2003 and $4.4 billion for the third quarter of 2002. The Company's writings of bulk insurance are in part sensitive to the volume of securitization transactions involving non-conforming loans. The Company's writings of bulk insurance are also sensitive to competition from other methods of providing credit enhancement in a securitization, including an execution in which the subordinate tranches in the securitization rather than mortgage insurance bear the first loss from mortgage defaults. Competition from such an execution in turn depends on, among other factors, the yield at which investors are willing to purchase tranches of the securitization that involve a higher degree of credit risk and the amount of credit for losses that a rating agency will give to mortgage insurance, which may be affected by the agency's view of the outlook for the insurer's claims paying ability.

The Company expects that the loans that are included in bulk transactions will have delinquency and claim rates in excess of those on the Company's flow business. The Company also expects that loans included in bulk transactions will have lower persistency than the Company's flow business, although the persistency of bulk loans at September 30 and June 30, 2003 was higher than the persistency of flow loans at those dates. The Company believes this is partially the result of the positive effect that pre-payment penalties had on bulk loan persistency as well as the historically unprecedented level of cancellations of flow business. While the Company believes it has priced its bulk business to generate acceptable returns, there can be no assurance that the assumptions underlying the premium rates adequately address the risk of this business.

In addition to providing primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during the three months ended September 30, 2003 and September 30, 2002 was $257 million and $68 million, respectively. The

Company's direct pool risk in force was $3.1 billion at September 30, 2003, $2.6 billion at December 31, 2002, and was $2.2 billion at September 30, 2002. Of the pool risk written during the three months ended September 30, 2003, and the risk in force at September 30, 2003, $156 million and $2.5 billion, respectively, represent contractual aggregate loss limits. For pool coverage written during the three months ended September 30, 2003, and $4.0 billion of pool coverage in force at September 30, 2003 without such limits, risk is calculated at $101 million and $588 million, respectively, the estimated amount that would credit enhance these loans to a 'AA' level.

Net premiums written increased 15% to $346.6 million during the third quarter of 2003, from $301.4 million during the third quarter of 2002. Net premiums earned increased 16% to $346.6 million for the third quarter of 2003 from $299.0 million for the same period in 2002. The increases were primarily a result of a higher percentage of premiums on products with higher premium rates, principally on insurance written through the bulk channel.

Premiums ceded in captive reinsurance arrangements and in risk sharing arrangements with the GSEs were $28.8 million in the third quarter of 2003, compared to $27.7 million in the same period of 2002. During the quarter ended June 30, 2003, approximately 53% of the Company's new insurance written on a flow basis was subject to such arrangements compared to 54% for the year ended December 31, 2002. (New insurance written through the bulk channel is not subject to such arrangements.) The percentage of new insurance written during a period covered by such arrangements normally increases after the end of the period because, among other reasons, the transfer of a loan in the secondary market can result in a mortgage insured during a period becoming part of such an arrangement in a subsequent period. Therefore, the percentage of new insurance written covered by such arrangements is not shown for the current quarter. Premiums ceded in such arrangements are reported as ceded in the quarter in which they are ceded regardless of when the mortgage was insured.

A substantial portion of the Company's captive reinsurance arrangements are structured on an excess of loss basis. Effective April 1, 2003, the Company is not participating in excess of loss risk sharing arrangements with net premium cessions in excess of 25% on terms which are generally present in the market. The Company's position with respect to such risk sharing arrangements is resulting in a reduction in business from certain large lenders and a decline in the Company's flow market share. Premiums ceded in captive reinsurance and risk sharing arrangements could continue to increase in future quarters due in part to an increase in premiums that are subject to quota share captive reinsurance arrangements.

Investment income for the third quarter of 2003 was $50.0 million, compared to $51.0 million for the same period in 2002. This decrease was the result of a decrease in the investment yield, offset by increases in the amortized cost of average invested assets to $4.8 billion for the third quarter of 2003 from $4.3 billion for the third quarter of 2002, an increase of 10%. The portfolio's average pre-tax investment yield was 4.3% for the third quarter of 2003 and 4.8% for the same period in 2002. The portfolio's average after-tax

investment yield was 3.7% for the third quarter of 2003 and 4.3% for the same period in 2002. The Company's net realized gains were $6.7 million for the three months ended September 30, 2003 compared to net realized gains of $8.9 million during the same period in 2002, resulting primarily from the sale of fixed maturities.

Other revenue, which is composed of various components, was $42.2 million for the third quarter of 2003, compared with $31.9 million for the same period in 2002. The increase is primarily the result of increases in contract underwriting and increased equity earnings from Credit-Based Asset Servicing and Securitization LLC and its subsidiaries (collectively, "C-BASS"), and from Sherman Financial Group LLC and its subsidiaries (collectively, "Sherman"), joint ventures with Radian Group Inc. ("Radian").

C-BASS, in which the Company and Radian each have an interest of approximately 45.9%, is a mortgage investment and servicing firm specializing in credit-sensitive single-family residential mortgage assets and residential mortgage-backed securities. C-BASS principally invests in whole loans (including subprime loans) and mezzanine and subordinated residential mortgage-backed securities backed by non-conforming residential mortgage loans. C-BASS's servicing operations, conducted through its Litton Loan Servicing subsidiary, principally consist of servicing loans on which C-BASS bears the credit risk. C-BASS's principal sources of revenues during the last three years and through the third quarter of 2003 were net interest income (including accretion on mortgage securities), servicing fees and gain on securitization and liquidation of mortgage-related assets, although in individual periods the relative contribution of these sources to total revenues has varied. C-BASS's results of operations are affected by the timing of its securitization transactions. Virtually all of C-BASS's assets do not have readily ascertainable market values and, as a result, their value for financial statement purposes is estimated by the management of C-BASS based on, among other things, valuations provided by financing counterparties. The ultimate value of these assets is the net present value of their future cash flows, which depends on, among other things, the level of losses on the underlying mortgages and prepayment activity by the mortgage borrowers. Market value adjustments could impact C-BASS's results of operations and the Company's share of those results.

Total consolidated assets of C-BASS at September 30, 2003 and December 31, 2002 were approximately $2.757 billion and $1.754 billion, respectively. Total liabilities at September 30, 2003 and December 31, 2002 were approximately $2.313 billion and $1.385 billion, respectively, of which approximately $1.946 billion and $1.110 billion, respectively, were funding arrangements, virtually all of which mature within one-year or less. For the three months ended September 30, 2003 and 2002, revenues of approximately $79 million and $58 million, respectively, and expenses of approximately $53 million and $38 million, respectively, resulted in income before tax of approximately $26 million and $20 million, respectively.

Sherman is engaged in the business of purchasing, collecting and servicing delinquent consumer assets such as credit card loans and Chapter 13 bankruptcy debt. A substantial portion of Sherman's consolidated assets are investments in consumer

receivable portfolios that do not have readily ascertainable market values. Sherman's results of operations are sensitive to estimates by Sherman's management of ultimate future collections on these portfolios. Effective January 1, 2003, the Company and Radian each sold four percentage points of their respective interest in Sherman to Sherman's management for cash, reducing each company's interest in Sherman to 41.5%.

Because C-BASS and Sherman are accounted for by the equity method, they are not consolidated with the Company and their assets and liabilities do not appear in the Company's balance sheet. The "investments in joint ventures" item in the Company's balance sheet reflects the amount of capital contributed by the Company to these joint ventures plus the Company's share of their comprehensive income (or minus its share of their comprehensive loss) and minus capital distributed to the Company by these joint ventures. The Company's investment in C-BASS on an equity basis at September 30, 2003 was $204.6 million. The Company's investment in Sherman on an equity basis at September 30, 2003 was $52.3 million.

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

Net losses incurred increased 118% to $220.7 million in the third quarter of 2003, from $101.1 million in the same period of 2002. The increase in the third quarter was due to an increase, compared to the inventory at the end of the prior quarter, in the primary notice inventory related to defaults arising from development of recent flow and bulk books of business as well as an increase in net losses paid. The average primary claim paid for the three months ended September 30, 2003 was $22,450 compared to $19,737 for the same period in 2002. The Company expects that incurred losses for the fourth quarter of 2003 will increase over the level of the third quarter of 2003. The Company is not undertaking any obligation to provide an update of this expectation should it subsequently change.

Information about the composition of the primary insurance default inventory at September 30, 2003, December 31, 2002 and September 30, 2002 appears in the table below. The Company expects the number of loans in the primary default inventory at the end of the fourth quarter of 2003 will increase over number in the inventory at the end of

the third quarter of 2003. The Company is not undertaking any obligation to provide an update of this expectation should it subsequently change.

	September 30, 2003	December 31, 2002	September 30, 2002
Total loans delinquent	85,039	73,648	67,114
Percentage of loans delinquent (default rate)	5.41%	4.45%	4.04%
Flow loans delinquent	44,717	43,196	39,292
Percentage of flow loans delinquent (default rate)	3.67%	3.19%	2.85%
Bulk loans delinquent	40,322	30,452	27,822
Percentage of bulk loans delinquent (default rate)	11.41%	10.09%	9.97%
A-minus and subprime credit loans delinquent*	33,583	25,504	23,086
Percentage of A-minus and subprime credit loans delinquent (default rate)	13.73%	12.68%	12.38%

* A portion of A-minus and subprime credit loans is included in flow loans delinquent and the remainder is included in bulk loans delinquent. Most A-minus and subprime credit loans are written through the bulk channel. A-minus loans have FICO credit scores of 575-619, as reported to MGIC at the time a commitment to insure is issued, and subprime loans have FICO credit scores of less than 575.

The pool notice inventory increased from 26,676 at December 31, 2002 to 27,792 at September 30, 2003; the pool notice inventory was 25,592 at September 30, 2002.

Information about net losses paid in 2003 and 2002 appears in the table below. The Company expects total paid losses for the fourth quarter of 2003 will increase over the amount for the third quarter of 2003. The Company is not undertaking any obligation to provide an update of this expectation should it subsequently change.

Net Losses Paid ($ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Flow	$ 55	$ 26	$ 139	$ 79
Bulk	46	21	111	43
Second mortgage	8	6	22	20
Pool and other	15	7	38	25
	$ 124	$ 60	$ 310	$ 167

The Company has not written any new second mortgage risk for loans closing after 2001.

At September 30, 2003, 82% of MGIC's insurance in force was written subsequent to December 31, 2000. On the Company's flow business, the highest claim frequency years have typically been the third through fifth year after the year of loan origination. However, the pattern of claims frequency can be affected by many factors, including low persistency (which can have the effect of accelerating the period in the life of a book during which the highest claim frequency occurs) and deteriorating economic conditions (which can result in increasing claims following a period of declining claims). The Company expects the period of highest claims frequency on bulk loans will occur earlier than in the historical pattern on the Company's flow business.

Underwriting and other expenses increased to $76.8 million in the third quarter of 2003 from $64.6 million in the same period of 2002, an increase of 19%. Among other items, the increase is attributable to increases in expenses related to insurance and contract underwriting activity.

The consolidated insurance operations loss ratio was 63.7% for the third quarter of 2003 compared to 33.8% for the third quarter of 2002. The consolidated insurance operations expense and combined ratios were 14.0% and 77.7%, respectively, for the third quarter of 2003 compared to 14.1% and 47.9% for the third quarter of 2002.

The effective tax rate was 23.7% in the third quarter of 2003, compared to 29.5% in the third quarter of 2002. During both periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investments. The lower

effective tax rate in 2003 principally resulted from a higher percentage of total income before tax being generated from tax-preferenced investments.

Nine Months Ended September 30, 2003 Compared With Nine Months Ended September 30, 2002

Additional information about certain of matters discussed below may be found in the comparable discussion under “Three Months Ended September 30, 2003 Compared With Three Months Ended September 30, 2002.”

Net income for the nine months ended September 30, 2003 was $390.0 million, compared to $491.7 million for the same period of 2002, a decrease of 21%. Diluted earnings per share for the nine months ended September 30, 2003 was $3.94, compared to $4.66 for the same period last year. Adjusted weighted average diluted shares outstanding for the year-to-date period ended September 30, 2003 and 2002 were 99.1 million and 105.5 million, respectively.

Total revenues for the first nine months of 2003 were $1,328.1 million, an increase of 15% from the $1,150.2 million for the first nine months of 2002. This increase was due to increases in premiums written, other revenue and realized gains. See below for a further discussion of premiums, other revenue and realized gains.

Losses and expenses through September 30, 2003 were $797.3 million, an increase of 80% from $443.9 million for the same period of 2002. The increase from last year can be attributed to a 138% increase in losses incurred, which primarily related to an increase in delinquent loans and paid losses, and an increase in underwriting expenses of 20%, which, among other items, related to increases in insurance and contract underwriting expenses. See below for a further discussion of losses incurred and expenses.

The amount of new primary insurance written by MGIC during the nine months ended September 30, 2003 was $77.5 billion, compared to $67.3 billion in the same period of 2002, an increase of $10.2 billion. New insurance written in the bulk channel increased $3.9 billion from $16.7 billion to $20.6 billion, for the nine months ended September 30, 2002 and 2003, respectively. New insurance written on a flow basis increased from $50.6 billion to $56.9 billion for the nine months ended September 30, 2002 and 2003, respectively, with refinance volume increasing over last year.

The $77.5 billion of new primary insurance written during the first nine months of 2003 was offset by the cancellation of $83.5 billion of insurance in force, and resulted in a net decrease of $6.0 billion in primary insurance in force, compared to new primary insurance written of $67.3 billion, the cancellation of $54.6 billion of insurance in force and a net increase of $12.7 billion in primary insurance in force during the first nine months of 2002.

New pool risk written during the nine months ended September 30, 2003 and September 30, 2002 was $852 million and $258 million, respectively. Of the pool risk written during the nine months ended September 30, 2003, $562 million represents contractual aggregate loss limits. For pool coverage written during the nine months ended September 30, 2003 without such limits, risk is calculated at $290 million, the estimated amount that would credit enhance these loans to a 'AA' level.

Net premiums written increased 16% to $1,008.7 million during the first nine months of 2003, from $871.1 million during the first nine months of 2002. Net premiums earned increased 17% to $1,015.9 million through September 30, 2003 from $871.6 million for the same period in 2002. The increases were primarily a result of a higher percentage of premiums on products with higher premium rates, principally on insurance written through the bulk channel, offset in part by an increase in ceded premiums.

Premiums ceded in captive reinsurance arrangements and in risk sharing arrangements with the GSEs were $88.2 million through September 30, 2003, compared to $72.7 million in the same period of 2002.

Investment income for the first nine months of 2003 was $151.4 million, compared to $154.6 million for the same period in 2002. This decrease was the result of a decrease in the investment yield, offset by increases in the amortized cost of average invested assets to $4.7 billion for the first nine months of 2003 from $4.2 billion for the same period in 2002, an increase of 12%. The portfolio's average pre-tax investment yield was 4.3% through September 30, 2003 and 4.9% for the same period in 2002. The portfolio's average after-tax investment yield was 3.7% for the first nine months of 2003 and 4.4% for the same period in 2002. The Company's net realized gains were $33.4 million for the nine months ended September 30, 2003 compared to net realized gains of $22.0 million during the same period in 2002, resulting primarily from the sale of fixed maturities.

Other revenue was $127.4 million for the first nine months of 2003, compared with $102.0 million for the same period in 2002. The increase is primarily the result of an increase in contract underwriting and increased equity earnings from Sherman offset by a decrease in equity earnings from C-BASS.

For the nine months ended September 30, 2003 and 2002, C-BASS had revenues of approximately $257 million and $218 million, respectively, and expenses of approximately $163 million and $116 million, respectively, which resulted in income before tax of approximately $94 million and $102 million, respectively.

Net losses incurred increased 138% to $536.1 million in the first nine months of 2003, from $225.2 million in the same period of 2002. The increase was due to an increase in the primary notice inventory related to defaults arising from development of recent flow and bulk books of business as well as an increase in net losses paid. The average claim paid for the nine months ended September 30, 2003 was $22,648 compared to $19,731 for the same period in 2002.

Underwriting and other expenses increased to $230.3 million in the first nine months of 2003 from $192.2 million in the same period of 2002, an increase of 20%. Among other items, the increase is attributable to increases in expenses related to insurance and contract underwriting activity.

Interest expense increased to $30.9 million through September 30, 2003 from $26.5 million during the same period in 2002 primarily due to an increase in the average debt outstanding offset by lower weighted-average interest rates during the nine months ended September 30, 2003 compared to the comparable period in 2002.

The consolidated insurance operations loss ratio was 52.7% for the first nine months of 2003 compared to 25.8% for the first nine months of 2002. The consolidated insurance operations expense and combined ratios were 14.4% and 67.1%, respectively, for the first nine months of 2003 compared to 14.7% and 40.5% for the first nine months of 2002.

The effective tax rate was 26.5% through September 30, 2003, compared to 30.4% in the same period of 2002. During both periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investments. The lower effective tax rate in 2003 principally resulted from a higher percentage of total income before tax being generated from the tax-preferenced investments.

Other Matters

For a discussion of certain litigation involving the Company, see Note 4 to the Notes to the Consolidated Financial Statements, which appears above, and "Risk Factors—The mortgage insurance industry is subject to litigation risk," which appears below.

Under the Office of Federal Housing Enterprise Oversight's ("OFHEO") risk-based capital stress test for the GSEs, claim payments made by a private mortgage insurer on GSE loans are reduced below the amount provided by the mortgage insurance policy to reflect the risk that the insurer will fail to pay. Claim payments from an insurer whose claims-paying ability rating is 'AAA' are subject to a 3.5% reduction over the 10-year period of the stress test, while claim payments from a 'AA' rated insurer, such as MGIC, are subject to an 8.75% reduction. The effect of the differentiation among insurers is to require the GSEs to have additional capital for coverage on loans provided by a private mortgage insurer whose claims-paying rating is less than 'AAA.' As a result, there is an incentive for the GSEs to use private mortgage insurance provided by a 'AAA' rated insurer.

MGIC's claims paying ability rating is 'Aa2' from Moody's Investors Service, 'AA+' from Standard & Poor's and 'AA+' from Fitch Ratings. On October 16, 2003 Standard & Poor's announced that it had placed MGIC's claims paying ability rating and other ratings of affiliates of MGIC (including the Company's 'A+' long-term counterparty rating) on CreditWatch with negative implications. Standard & Poor's said that after discussions with MGIC's management, it "expects to affirm the ratings . . . or lower

them by one notch." These discussions had not occurred at the date of the filing of this Quarterly Report on Form 10-Q. A reduction of one notch in MGIC's S&P rating would make that rating equivalent to MGIC's claims paying ability rating from Moody's. Maintenance of a claims-paying ability rating of at least 'AA-'/'Aa3' is critical to a mortgage insurer's ability to continue to write new business.

Financial Condition

Consolidated total investments and cash balances increased approximately $0.4 billion to $5.1 billion at September 30, 2003 from $4.7 billion at December 31, 2002, primarily due to net cash provided by operating activities and the change in unrealized gains on securities marked to market, offset by repayment of a portion of the outstanding commercial paper and by funds used to repurchase Common Stock. The Company generated net cash from operating activities of $528.2 million for the first nine months of 2003, compared to $477.3 million generated during the same period in 2002. The increase in operating cash flows during the first nine months of 2003 compared to 2002 is due primarily to increases in premiums, offset by increases in losses paid.

As of September 30, 2003, the Company had $213.5 million of short-term investments with maturities of 90 days or less, and 70% of the portfolio was invested in tax-preferenced securities. In addition, at September 30, 2003, based on book value, the Company's fixed income securities were approximately 99% invested in 'A' rated and above, readily marketable securities, concentrated in maturities of less than 15 years. At September 30, 2003, the Company had $7.4 million of investments in equity securities compared to $10.8 million at December 31, 2002.

At September 30, 2003, the Company's derivative financial instruments in its investment portfolio were immaterial. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At September 30, 2003, the effective duration of the Company's fixed income investment portfolio was 5.2 years. This means that for an instantaneous parallel shift in the yield curve of 100 basis points there would be an approximate 5.2% change in the market value of the Company's fixed income portfolio.

The Company's investments in joint ventures increased $39.3 million from $240.1 million at December 31, 2002 to $279.4 million at September 30, 2003 primarily as a result of equity earnings and additional investments in partnerships that generate affordable housing tax credits offset by distributions received, the proceeds of the sale of the interest in Sherman referred to above and the Company's share of losses on investments in partnerships that generate affordable housing tax credits. These joint ventures are reported on the equity method. Only the Company's investment in the joint ventures appears on the Company's balance sheet.

Consolidated loss reserves increased to $956.5 million at September 30, 2003 from $733.2 million at December 31, 2002, reflecting increases in the primary insurance

notice inventory, as discussed earlier. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default.

Consolidated unearned premiums decreased $8.0 million from $170.2 million at December 31, 2002, to $162.2 million at September 30, 2003, primarily reflecting the continued high level of monthly premium policies written for which there is no unearned premium.

Consolidated shareholders' equity increased to $3.7 billion at September 30, 2003, from $3.4 billion at December 31, 2002, an increase of 9%. This increase consisted of $390.0 million of net income during the first nine months of 2003, offset by $69.6 million from the repurchase of treasury stock (net of reissuances), other comprehensive loss, net of tax, of $9.9 million and dividends declared of $7.4 million.

Liquidity and Capital Resources

The Company's consolidated sources of funds consist primarily of premiums written and investment income. The Company generated positive cash flows from operating activities of approximately $528.2 million and $477.3 million for the nine months ended September 30, 2003 and 2002, respectively, as shown on the Consolidated Statement of Cash Flows. Positive cash flows are invested pending future payments of claims and other expenses. Cash-flow shortfalls, if any, could be funded through sales of short-term investments and other investment portfolio securities subject to insurance regulatory requirements regarding the payment of dividends to the extent funds were required by other than the seller. Substantially all of the investment portfolio securities are held by the Company's insurance subsidiaries.

The Company has a $285 million commercial paper program, which is rated 'A-1' by Standard and Poors ("S&P") and 'P-1' by Moody's. At September 30, 2003 and 2002, the Company had $105.0 million and $134.0 million in commercial paper outstanding with a weighted average interest rate of 1.15% and 1.85%, respectively. The Company had $300 million, 7.5% Senior Notes due in 2005 and $200 million, 6% Senior Notes due in 2007 outstanding at September 30, 2003 and 2002. At September 30, 2003, the market value of the outstanding debt is $648.2 million.

The Company had a $285 million credit facility available at September 30, 2003 expiring in 2006. Under the terms of the credit facility, the Company must maintain shareholders' equity of at least $2.25 billion and MGIC must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders position (which includes MGIC's surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At September 30, 2003, the Company met these requirements. The facility is currently being used as a liquidity back up facility for the outstanding commercial paper. The remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $180.0 million at September 30, 2003.

During the nine months ended September 30, 2003 the Company repurchased 2.2 million shares at a cost of $89.2 million. At September 30, 2003, the Company had authority covering the purchase of an additional 7.7 million shares. From mid-1997 through June 2003, the Company has repurchased 23.6 million shares of Common Stock at a cost of $1.2 billion. Funds for the shares repurchased by the Company since mid-1997 have been provided through a combination of debt, including the Senior Notes and the commercial paper, and internally generated funds.

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

The Company uses interest rate swaps to hedge interest rate exposure associated with its short- and long-term debt. In 2000, the Company paid an interest rate based on LIBOR and received a fixed rate of 7.5% to hedge the 5 year Senior Notes issued in the fourth quarter of 2000. These swaps were terminated in September 2001. In January 2002, the Company initiated a new swap which was designated as a fair value hedge of the 7.5% Senior Notes. This swap was terminated in June 2002. In June 2002, a swap designated as a cash flow hedge was amended to coincide with the new credit facilities. Under the terms of the swap contract, the Company pays a fixed rate of 5.43% and receives an interest rate based on LIBOR. The swap has an expiration date coinciding with the maturity of the credit facilities and is designated as a cash flow hedge. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items. Expenses on the swaps for the nine months ended September 30, 2003 and 2002 of approximately $2.5 million and $1.0 million, respectively, were included in interest expense. The cash flow swap outstanding at September 30, 2003 and December 31, 2002 is evaluated quarterly using regression analysis with any ineffectiveness being recorded as an expense. To date this evaluation has not resulted in any hedge ineffectiveness. The swaps are subject to credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

The Company’s principal exposure to loss is its obligation to pay claims under MGIC’s mortgage guaranty insurance policies. At September 30, 2003, MGIC’s direct (before any reinsurance) primary and pool risk in force (which is the unpaid principal balance of insured loans as reflected in the Company’s records multiplied by the coverage percentage, and taking account of any loss limit) was approximately $55.1 billion. In addition, as part of its contract underwriting activities, the Company is responsible for the quality of its underwriting decisions in accordance with the terms of the contract underwriting agreements with customers. Through September 30, 2003, the cost of remedies provided by the Company to customers for failing to meet the

standards of the contracts has not been material. However, the decreasing trend of home mortgage interest rates over the last several years may have mitigated the effect of some of these costs since the general effect of lower interest rates can be to increase the value of certain loans on which remedies are provided. There can be no assurance that contract underwriting remedies will not be material in the future.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 8.2:1 at September 30, 2003 (determined using $42.3 billion of risk, which includes calculated risk of $588 million on $4.0 billion of contractual pool risk, and $5.2 billion of capital) compared to 8.7:1 at December 31, 2002 (determined using $42.4 billion of risk, which includes calculated risk of $274 million on $3.0 billion of contractual pool risk, and $4.9 billion of capital). The decrease was due to an increase in MGIC's capital of $0.3 billion, during the first nine months of 2003.

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

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

Risk Factors

The Company's revenues and losses could be affected by the risk factors discussed below, which are an integral part of Management's Discussion and Analysis of Financial Condition and Results of Operations. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that the Company may make. Forward looking statements consist of statements which relate to matters other than historical fact. Among others, statements that include words such as the Company "believes", "anticipates" or "expects", or words of similar import, are forward looking statements.

As the domestic economy deteriorates, more homeowners may default and the Company's losses may increase.

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as unemployment, and whether the home of a borrower who defaults on his mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. Favorable economic conditions generally reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also

favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. 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.

The mix of business the Company writes also affects the likelihood of losses occurring. In recent years, a greater percentage of the Company's volume than in the past has included segments that the Company views as having a higher probability of claim, including loans with LTV ratios over 95%, FICO credit scores below 620 or limited underwriting, including limited borrower documentation. Recent long-term mortgage finance forecasts of the Mortgage Bankers Association project that quarterly mortgage originations in the United States are expected to decline materially beginning in the fourth quarter of 2003 from the levels experienced during the first three quarters of the year. In response to lower national origination volume, mortgage lenders may seek to maintain their own volume through a greater focus on lending to borrowers in segments that the Company views as having a higher probability of claim.

About 7% of the Company's risk in force written through the flow channel, and somewhat more than half of the Company's risk in force written through the bulk channel, consists of ARMs. The Company believes that during a prolonged period of rising interest rates claims on ARMs would be substantially higher than for fixed rate loans, although the performance of ARMs has not been tested in such an environment.

The performance of the servicing function on a mortgage loan, particularly a subprime loan, can affect the likelihood that the loan will default as well as the loss resulting from a default. The Company believes Fairbanks Capital Corp. ("Fairbanks") is the servicer of approximately 2% of the loans insured by the Company and approximately 7% of the loans insured by the Company written through the bulk channel (a substantial number of which are subprime). The servicer ratings assigned to Fairbanks by Moody's and S&P were downgraded during the second quarter of 2003 from "strong" to "below average" due in part to concerns expressed by those rating agencies about Fairbanks' regulatory compliance and operational controls.

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

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but increasingly with mortgage lenders through captive mortgage reinsurance transactions. In these transactions, a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated or serviced by the lender.

A substantial portion of the Company's captive mortgage reinsurance arrangements is structured on an excess of loss basis. Effective April 1, 2003 the Company is not participating in excess of loss risk sharing arrangements with net premium cessions in excess of 25% on terms which are generally present in the market. The captive mortgage reinsurance programs of larger lenders generally are not consistent with the Company's position. The Company's position with respect to such risk sharing arrangements is resulting in a reduction of business from such lenders and has resulted in a decline in the Company's flow market share, which for the third quarter of 2003 was 20.8%, as computed by the Company based on publicly available information, compared to 24.5% for the fourth quarter of 2002, as reported by Inside Mortgage Finance.

The level of competition within the private mortgage insurance industry has also increased as many large mortgage lenders have reduced the number of private mortgage insurers with whom they do business. At the same time, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders. The Company's top ten customers generated 27.0% of the new primary insurance that it wrote on a flow basis in 1997 compared to 39.5% in 2002, although this concentration is expected to decline in 2003 due to the Company's position on excess loss risk sharing arrangements referred to above.

Our private mortgage insurance competitors include:

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

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

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

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

During the 1990s, the Company's 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 September 30, 2003 persistency was at a record low of 44.9%. Over the past several years, refinancing has become easier to accomplish and less costly for many consumers. Hence, even in an interest rate environment favorable to persistency improvement, the Company does not expect persistency will approach its December 31,1990 level.

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

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

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

In general, the majority of the underwriting profit (premium revenue minus losses) that a book of mortgage insurance generates occurs in the early years of the book, with the largest portion of the 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 occurs because relatively few of the claims that a book will ultimately experience occur in the first few years of the book, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as persistency decreases due to loan prepayments, and higher losses.

If all other things were equal, a decline in new insurance written in a year that followed a number of years of higher volume could result in a lower contribution to the mortgage insurer’s overall results. This effect may occur because the older books will be experiencing declines in revenue and increases in losses with a lower amount of underwriting profit on the new book available to offset these results.

Whether such a lower contribution would in fact occur depends in part on the extent of the volume decline. Even with a substantial decline in volume, there may be offsetting factors that could increase the contribution in the current year. These offsetting factors include higher persistency and a mix of business with higher average premiums, which could have the effect of increasing revenues, and improvements in the economy, which could have the effect of reducing losses. In addition, the effect on the insurer’s overall results from such a lower contribution in may be offset by decreases in the mortgage insurer’s expenses that are unrelated to claim or default activity, including those related to lower volume.

The Company’s new insurance written during 2000 — 2002 was $41.5 billion, $86.1 billion and $92.5 billion, respectively, and its new insurance written during the first nine months of 2003 was $77.5 billion. The unprecedented period of refinance activity that positively affected volume beginning in 2001 appears to have come to an end. As a result, the Company expects new insurance written in 2004 will be materially lower than in 2003.

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

These alternatives to private mortgage insurance include:

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

- investors holding mortgages in portfolio and self-insuring,

- investors using credit enhancements other than private mortgage insurance or using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, and
- lenders using government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration,

While no data is publicly available, the Company believes that due to the current low interest rate environment and favorable economic conditions, 80-10-10 loans remain a significant percentage of mortgage originations.

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

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

- the level of private mortgage insurance coverage, subject to the limitations of Fannie Mae and Freddie Mac's charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,
- whether Fannie Mae or Freddie Mac influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,
- whether Fannie Mae or Freddie Mac will give mortgage lenders an incentive, such as a reduced guaranty fee, to select a mortgage insurer that has a "AAA" claims-paying ability rating to benefit from the lower capital requirements for Fannie Mae and Freddie Mac when a mortgage is insured by a company with that rating,
- the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which thereby affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans,
- the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law, and
- the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

The mortgage insurance industry is subject to litigation risk.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including the Company's MGIC subsidiary, have been involved in litigation alleging violations of the Real Estate Settlement Procedures Act. MGIC's settlement of the litigation against it became final in October 2003. This settlement includes an injunction expiring at the end of 2003 that prohibits certain practices and specifies the basis on which other practices may be done in compliance with the Real Estate Settlement Procedures Act. There can be no assurance that MGIC will not be subject to future litigation under the Real Estate Settlement Procedures Act.

In March 2003 an action against MGIC was filed in Federal District Court in Orlando, Florida seeking certification of a nationwide class of consumers who were required to pay for private mortgage insurance written by MGIC and whose loans were insured at less than MGIC's "best available rate" based on credit scores obtained by MGIC. (A portion of MGIC's A minus and subprime premium rates are based in part on the credit score of the borrower.) The action alleges that the Federal Fair Credit Reporting Act ("FCRA") requires a notice to borrowers of such "adverse action" and that MGIC has violated FCRA by failing to give such notice. The action seeks statutory damages (which in the case of willful violations, in addition to punitive damages, may be awarded in an amount of $100 to $1,000 per class member) and/or actual damages of the persons in the class, and attorneys fees, as well as declaratory and injunctive relief. The action also alleges that the failure to give notice to borrowers in Florida in the circumstances alleged is a violation of Florida's Unfair and Deceptive Acts and Practices Act and seeks declaratory and injunctive relief for such violation. There can be no assurance that the outcome of the litigation will not materially affect the Company's financial position or results of operations. Similar actions have been commenced against two other mortgage insurers.

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

The regulations of the Department of Housing and Urban Development under the Real Estate Settlement Procedures Act prohibit paying lenders for the referral of settlement services, including mortgage insurance, and prohibit lenders from receiving such payments. In July 2002, the Department of Housing and Urban Development proposed a regulation that would exclude from these anti-referral fee provisions settlement services included in a package of settlement services offered to a borrower at a guaranteed price. If mortgage insurance is required on a loan, the package must include any mortgage insurance premium paid at settlement. Although certain state insurance regulations prohibit an insurer's payment of referral fees, adoption of this regulation by the Department of Housing and Urban Development could adversely affect the Company's revenues to the extent that lenders offered such packages and received value from the Company in excess of what they could have received were the

anti-referral fee provisions of the Real Estate Settlement Procedures Act to apply and if such state regulations were not applied to prohibit such payments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At September 30, 2003, the Company's derivative financial instruments in its investment portfolio were immaterial. The Company's philosophy is to invest in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue and issuer. At September 30, 2003, the effective duration of the Company's fixed income investment portfolio was 5.2 years. This means that for each instantaneous parallel shift in the yield curve of 100 basis points there would be an approximate 5.2% change in the market value of the Company's fixed income investment portfolio. The Company's borrowings under the commercial paper program are subject to interest rates that are variable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" for a discussion of the Company's interest rate swaps.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, has evaluated the Company's 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 Quarterly Report on Form 10-Q. Based on such evaluation, the Company's principal executive officer and principal financial officer concluded that such controls and procedures were effective as of the end of such period. The Company's management, with the participation of the Company's principal executive officer and principal financial officer, also evaluated whether any change in the Company's internal control over financial reporting that occurred during the quarter covered by this Quarterly Report on Form 10-Q materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during such quarter.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) 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-Q. Exhibit 32 is not filed as part of this Form 10-Q but accompanies this Form 10-Q. The Company is a party to various agreements regarding long-term debt that are not filed as exhibits pursuant to Reg. S-K Item 602 (b)(4)(iii)(A). The Company hereby agrees to furnish a copy of such agreements to the Commission upon its request.

[Table of Contents](#)

(b) Reports on Form 8-K — A report on Form 8-K dated July 14, 2003 was filed under Items 7 Financial Statements and Exhibits, and 9 Results of Operations and Financial Condition. A report on Form 8-K dated August 27, 2003 was filed under Item 11 Temporary Suspension of Trading Under Registrant's Employee Benefit Plans.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on November 13, 2003.

MGIC INVESTMENT CORPORATION

\s\ J. Michael Lauer

J. Michael Lauer
Executive Vice President and
Chief Financial Officer

\s\ Joseph J. Komanecki

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

INDEX TO EXHIBITS
(Part II, Item 6)

Exhibit Number	Description of Exhibit
11	Statement Re Computation of Net Income Per Share
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
32	Certification of CEO and CFO under Section 906 of Sarbanes-Oxley Act of 2002 (as indicated in Item 6 of Part II, this Exhibit is not being “filed”)

EXHIBIT 11

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF NET INCOME PER SHARE
Three and Nine Month Periods Ended September 30, 2003 and 2002

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(In thousands of dollars, except per share data)			
BASIC EARNINGS PER SHARE				
Average common shares outstanding	98,489	102,825	98,879	104,793
Net income	$ 105,129	$ 151,570	$ 390,016	$ 491,693
Basic earnings per share	$ 1.07	$ 1.47	$ 3.94	$ 4.69
DILUTED EARNINGS PER SHARE				
Adjusted weighted average shares outstanding:				
Average common shares outstanding	98,489	102,825	98,879	104,793
Common stock equivalents	336	536	204	718
Adjusted weighted average diluted shares outstanding	98,825	103,361	99,083	105,511
Net income	$ 105,129	$ 151,570	$ 390,016	$ 491,693
Diluted earnings per share	$ 1.06	$ 1.47	$ 3.94	$ 4.66

Exhibit 31.1

CERTIFICATIONS

I, Curt S. Culver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGIC Investment Corporation;

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

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

4. The registrant's other certifying 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)) 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 quarterly report is being prepared;

   b) 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

   c) 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: November 13, 2003

\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 quarterly report on Form 10-Q of MGIC Investment Corporation;

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

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

4. The registrant's other certifying 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)) 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 quarterly report is being prepared;

   (b) 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

   (c) 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: November 13, 2003

\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 Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2003 (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: November 13, 2003

\s\ Curt S. Culver

Curt S. Culver
Chief Executive Officer

\s\ J. Michael Lauer

J. Michael Lauer
Chief Financial Officer