

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended December 31, 1999

OR

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

For the transition period from _____ to _____

Commission file number 1-10816

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

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

MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202

(Address of principal executive offices) (Zip Code)

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

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

Title of Each Class: Common Stock, Par Value \$1 Per Share
Common Share Purchase Rights

Name of Each Exchange
on Which Registered: New York Stock Exchange

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

Title of Class: None

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

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of February 1, 2000: \$4.3 billion.*

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of February 1, 2000: 105,778,434.

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

Document -----	Part and Item Number of Form 10-K Into Which Incorporated -----
1. Information from 1999 Annual Report to Shareholders (for Fiscal Year Ended December 31, 1999)	Item 1 of Part I Items 5 through 8 of Part II
2. Proxy Statement for the 2000 Annual Meeting of Shareholders	Items 10 through 13 of Part III

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

Part I

Item 1. Business.

A. General

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

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

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

B. The MGIC Book

Types of Product

There are two principal types of private mortgage insurance: "primary" and "pool."

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

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

Primary Insurance and Risk In Force

	December 31,				
	1999	1998	1997	1996	1995
	-----	-----	-----	-----	-----
	----	----	----	----	----
	(In millions of dollars)				
Direct Primary					
Insurance In Force.....	\$147,607	\$137,990	\$138,497	\$131,397	\$120,341
Direct Primary					
Risk In Force.....	\$35,623	\$32,891	\$32,175	\$29,308	\$25,502

The coverage percentage provided by MGIC is determined by the lender. For loans sold by lenders to Fannie Mae or Freddie Mac, the coverage percentage must comply with the requirements established by the particular GSE to which the loan is delivered. Effective in the first quarter of 1995, Freddie Mac and Fannie Mae increased their coverage requirements for, among other loan types, 30-year fixed rate mortgages with loan-to-value ratios, determined at loan origination ("LTVs"), of 90.01-95.00% ("95s") from 25% coverage to 30% coverage and for such mortgages with LTVs of 85.01-90.00% ("90s") from 17% to 25%.

During the first quarter of 1999, the GSEs changed their mortgage insurance requirements for fixed rate and certain other mortgages on owner occupied properties having terms greater than 20 years when the loan is approved by their automated underwriting services. Lenders may deliver these loans to the GSEs with the prior coverage requirements (30% for a 95

and 25% for a 90), or in the case of 95s, with either (i) 25% coverage or (ii) 18% coverage and the payment of a delivery fee to the GSE, and in the case of 90s, with either (i) 17% coverage or (ii) 12% coverage and the payment of a delivery fee to the GSE.

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

Coverage Categories as a Percentage of New Insurance Written

LTV/ Coverage	Year Ended December 31,		
	1999	1998	1997
95 /30%	32.0%	33.9%	38.7%
90 /25%	34.7%	38.6%	39.1%

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

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

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

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

Under the federal Homeowners Protection Act (the "HPA") a borrower has the right to stop paying premiums for private mortgage insurance on loans closed after July 28, 1999 secured by a property comprised of one dwelling unit that is the borrower's primary residence when certain LTV ratio thresholds determined by the value of the home at loan origination and other requirements are met. In general, a borrower may stop making mortgage insurance payments when the LTV ratio is scheduled to reach 80% (based on the loan's amortization schedule established at loan origination) if the borrower so requests and if certain requirements relating to the borrower's payment history and the absence of junior liens and a decline in the property's value since origination are satisfied. In addition, a borrower's obligation to make payments for private mortgage insurance generally terminates regardless of whether a borrower so requests when the LTV ratio reaches 78% of the unpaid principal balance of the mortgage and the borrower is (or thereafter becomes) current in his mortgage payments. A borrower's right to stop paying for private mortgage insurance does not apply to lender paid mortgage insurance. The HPA requires that lenders give borrowers certain notices with regard to the cancellation of private mortgage insurance.

In addition, some states require that mortgage servicers periodically notify borrowers of the circumstances in which they may request a mortgage servicer to cancel private mortgage insurance and some states allow the borrower to require the mortgage servicer to cancel private mortgage insurance under certain circumstances or require the mortgage servicer to cancel such insurance automatically in certain circumstances. Under the HPA, states having laws regarding any requirements relating to private mortgage insurance that were in effect on January 2, 1998 may provide for mortgage insurance cancellation and notice requirements that are more favorable to borrowers than under the HPA if such provisions are enacted by July 29, 2000.

Coverage tends to continue in areas experiencing economic contraction and housing price depreciation. The persistency of coverage in such areas coupled with cancellation of coverage in areas experiencing economic expansion and housing price appreciation can increase the percentage of the insurer's portfolio comprised of loans in economically weak areas. This development can also occur during periods of heavy mortgage refinancing because refinanced loans in areas of

economic expansion experiencing property value appreciation are less likely to require mortgage insurance at the time of refinancing, while refinanced loans in economically weak areas not experiencing property value appreciation are more likely to require mortgage insurance at the time of refinancing or not qualify for refinancing at all and, thus, remain subject to the mortgage insurance coverage.

When a borrower refinances an MGIC-insured mortgage loan by paying it off in full with the proceeds of a new mortgage, the insurance on that existing mortgage is cancelled, and insurance on the new mortgage is considered to be new primary insurance written. Therefore, continuation of MGIC's coverage from a refinanced loan to a new loan results in both a cancellation of insurance and new insurance written. The percentage of primary risk written with respect to loans representing refinances was 22.3% in 1999 as compared to 25.6% in 1998 and 12.2% in 1997.

In addition to varying with the coverage percentage, MGIC's premium rates vary depending upon the perceived risk of a claim on the insured loan and, thus, take into account the LTV, the loan type (fixed payment versus non-fixed payment) and mortgage term and, for MGIC's program to insure subprime loans, MGIC's evaluation of the borrower's credit worthiness. Premium rates cannot be changed after the issuance of coverage. Because the Company believes that over the long term each region of the United States is subject to similar factors affecting risk of loss on insurance written, MGIC generally utilizes a nationally based, rather than a regional or local, premium rate policy.

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

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

During 1999 and 1998, the monthly premium plan represented 95.2% and 93.9%, respectively, of MGIC's new insurance written. The annual premium plan represented substantially all of the remaining new insurance written.

Pool Insurance. Pool insurance is generally used as an additional "credit enhancement" for certain secondary market mortgage transactions. Pool insurance generally covers the loss on a

defaulted mortgage loan which exceeds the claim payment under the primary coverage, if primary insurance is required on that mortgage loan, as well as the total loss on a defaulted mortgage loan which did not require primary insurance, in each case up to a stated aggregate loss limit.

During the first quarter of 1997, the Company began writing pool insurance generally covering fixed-rate, 30-year mortgage loans delivered to Freddie Mac and Fannie Mae ("agency pool insurance"). The aggregate loss limit on agency pool insurance generally does not exceed 1% of the aggregate original principal balance of the mortgage loans in the pool. New pool risk written during 1999 was \$564 million and was \$618 million in 1998. New pool risk written during these years was virtually all agency pool insurance, with the remaining risk written associated with loans insured under state housing finance programs. Net (giving effect to external reinsurance) MGIC Book pool risk in force at December 31, 1999 was \$1.4 billion compared to \$927 million and \$530 million at December 31, 1998 and 1997, respectively.

In December 1999, a complaint seeking class action status on behalf of a nationwide class of home mortgage borrowers was filed against MGIC in Federal District Court in Augusta, Georgia (the "RESPA Litigation"). The complaint in the RESPA Litigation alleges that MGIC violated the Real Estate Settlement Procedures Act ("RESPA") by providing agency pool insurance and entering into other transactions with lenders that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid for the mortgage insurance that is found to be involved in a violation of RESPA. In February 2000, MGIC answered the complaint and denied liability. There can be no assurance, however, regarding the ultimate outcome of the RESPA Litigation or its effect on the Company. Three other mortgage insurers are also defendants in equivalent lawsuits pending in Federal District Court in Augusta, Georgia.

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

Captive Mortgage Reinsurance. MGIC's products include captive mortgage reinsurance in which an affiliate of a lender reinsures a portion of the risk on loans originated or purchased by the lender which have MGIC primary insurance. Approximately 32% of MGIC's new insurance written in 1999 was subject to captive mortgage reinsurance and other similar structures compared to approximately 16% in 1998. The complaint in the RESPA Litigation alleges that MGIC pays "inflated" captive mortgage reinsurance premiums in violation of RESPA. In a February 1, 1999 circular addressed to all mortgage insurers licensed in New York, the NYID said that it was in the

process of developing guidelines that would articulate the parameters under which captive mortgage reinsurance is permissible under New York insurance law.

Other Reinsurance. At December 31, 1999, disregarding reinsurance under captive structures, less than 5% of MGIC's insurance in force was reinsured. Reinsuring against possible loan losses does not discharge MGIC from liability to a policyholder; however, the reinsurer agrees to indemnify MGIC for the reinsurer's share of losses incurred.

Customers

Originators of residential mortgage loans such as mortgage bankers, savings institutions, commercial banks, mortgage brokers, credit unions and other lenders have historically determined the placement of mortgage insurance and as a result are the customers of MGIC. To obtain primary insurance from MGIC, a mortgage lender must first apply for and receive a mortgage guaranty master policy ("Master Policy") from MGIC. MGIC had approximately 11,000 master policyholders at December 31, 1999 (not including policies issued to branches and affiliates of large lenders). In 1999, MGIC issued coverage on mortgage loans for approximately 4,500 of its master policyholders. MGIC's top 10 customers generated 32.5% of its new insurance written in 1999, compared to 33.7% in 1998 and 27.0% in 1997.

Sales and Marketing and Competition

Sales and Marketing. MGIC sells its insurance products through its own employees, located throughout the United States. At December 31, 1999, MGIC had 30 underwriting service centers located in 21 states and in Puerto Rico.

Competition. MGIC and other private mortgage insurers compete directly with federal and state governmental and quasi-governmental agencies, principally the FHA and, to a lesser degree, the Veterans Administration ("VA"). These agencies sponsor government-backed mortgage insurance programs, which during 1999 accounted for approximately 48% (compared to approximately 44% during 1998) of the total low down payment residential mortgages which were subject to governmental or private mortgage insurance. See "Regulation, Indirect Regulation" below. In October 1998, the maximum loan amounts that could be insured by the FHA and the VA were increased as a result of legislation that set the limit as a higher percentage of the conforming loan limit than in the past. For 2000, the maximum loan amount for homes with one dwelling unit in "high cost" counties may be as high as \$214,849 compared to \$208,800 in 1999. President Clinton's fiscal year 2001 budget proposes that the maximum loan amount for homes with one dwelling unit be raised to match the GSEs conforming loan limit (\$252,700 in 2000) regardless of the home's location.

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

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

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

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

The private mortgage insurance industry currently consists of eight active mortgage insurers and their affiliates; one of the eight is a joint venture in which a mortgage insurer is one of the joint venturers. For 1995 and subsequent years, MGIC has been the largest private mortgage insurer based on new primary insurance written (with a market share of 24.3% in 1999, 23.1% in 1998 and 26.6% in 1997) and at December 31, 1999, MGIC also had the largest book of direct primary insurance in force.

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

of MGIC's insurance products. The Company believes MGIC's additional competitive strengths, compared to other private insurers, are its customer relationships, name recognition and reputation.

The complaint in the RESPA Litigation alleges, among other things, that agency pool insurance, captive mortgage reinsurance and contract underwriting as provided by the Company violate RESPA. Equivalent allegations are made with respect to the other three mortgage insurance company defendants.

Certain private mortgage insurers compete by offering lower premium rates than other companies, including MGIC, either in general or with respect to particular classes of business. MGIC on a case-by-case basis will adjust premium rates, generally depending on the risk characteristics, loss performance or class of business of the loans to be insured, or the costs associated with doing such business. Currently, the Illinois and California insurance laws do not permit a mortgage insurer licensed in those states (such as MGIC) to insure loans with LTVs in excess of 97 regardless of the location of the property. At least one private mortgage insurer has the capability to write mortgage insurance for such loans through an affiliated company that is not licensed in Illinois or California. Certain other states (including New Jersey and Ohio) do not permit a licensed mortgage insurer to insure loans with LTVs in excess of 97 when property is located in that state. While the capability to provide coverage on loans with LTVs above 97 has not been a significant competitive factor, the private mortgage insurance industry is working collectively to change these provisions so that loans with LTVs in excess of 97 could be insured on a nationwide basis.

If the risk-based capital stress test for the GSEs proposed in March 1999 by the Office of Federal Housing Enterprise Oversight ("OFHEO") as finally adopted gives more capital credit to mortgage insurance provided by a "AAA"-rated insurer (as discussed under "Regulation--Direct Regulation" below, MGIC's claims-paying ability is rated "AA+"), the availability of "AAA" capacity would likely become a competitive factor among mortgage insurers. See "Management's Discussion and Analysis--Results of Consolidated Operations--1999 Compared to 1998" under Item 7 hereof for additional information about the proposed OFHEO stress test.

Contract Underwriting and Related Services

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

Risk Management

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

- . Individual Loan and Borrower. Except to the extent its delegated underwriting program is being utilized or for loans approved by the automated underwriting services of the GSEs (see "Delegated Underwriting and GSE Automated Underwriting Approvals" below), MGIC evaluates insurance applications based on its analysis of the borrower's ability to repay the mortgage loan and the characteristics and value of the property. The analysis of the borrower includes reviewing the borrower's housing and total debt ratios as well as the borrower's FICO credit score, as reported by credit reporting agencies. In the case of delegated underwriting, compliance with program parameters is monitored by periodic audits of delegated business.
- . Geographic Market. MGIC places significant emphasis on the condition of the housing markets around the nation in determining its underwriting policies.
- . Product. The type of mortgage instrument that the borrower selects and the purpose of the loan are important factors in MGIC's analysis of mortgage default risk. MGIC analyzes four general characteristics of the product to quantify this risk evaluation: (i) LTV ratio; (ii) type of loan instrument; (iii) type of property; and (iv) purpose of the loan. In addition to its underwriting guidelines (as referred to below), pricing is MGIC's principal method used to manage these risks. Loans with higher LTV ratios generally have a higher premium, as do instruments such as ARMs with an initial interest period of less than five years and loans with a maturity longer than fifteen years.
- . Mortgage Lender. MGIC evaluates from time to time its major customers and the performance of their business which MGIC has insured.

The Company believes that the claim incidence for 95s is substantially higher than for 90s or loans with lower LTV ratios; for loans with LTVs of 95.01-97.00 ("97s") is substantially higher than for 95s; for ARMs during a prolonged period of rising interest rates would be substantially higher than for fixed rate loans; for loans in which the original loan amount exceeds the conforming loan limit is higher than for loans where such amount is below the conforming loan limit; and for subprime loans (the volume of which prior to 1999 was insignificant) is substantially higher than for prime loans. MGIC charges higher premium rates for insuring 95s, 97s, ARMs with an initial interest period of less than five years and subprime loans. However, there can be no assurance that such higher rates adequately reflect the increased risk associated with those types of loans, particularly in a period of economic recession.

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

Underwriting Process. To obtain primary insurance on a specific mortgage loan, a master policyholder typically submits an application to an MGIC underwriting service center, supported by various documents, if required by MGIC. MGIC utilizes national underwriting guidelines to evaluate the potential risk of default on mortgage loans submitted for insurance coverage. These guidelines generally are consistent with Fannie Mae and Freddie Mac underwriting guidelines and take into account the applicable premium rates charged by MGIC and the loss experience of the private mortgage insurance industry, as well as the initiatives to expand home ownership opportunities undertaken by Fannie Mae and Freddie Mac. MGIC's underwriters have discretionary authority to insure loans which deviate in one or more respects from MGIC's underwriting guidelines. In most such cases, offsetting underwriting strengths must be identified.

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

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

Delegated Underwriting and GSE Automated Underwriting Approvals. Delegated underwriting is a program whereby approved lenders are allowed to commit MGIC to insure loans utilizing their MGIC-approved underwriting guidelines and underwriting evaluation. While MGIC does not underwrite on a case-by-case basis the credit of the borrower, the value of the property, or other factors which it normally considers in its underwriting decision, it does audit on a regular basis a sample of the loans insured.

At December 31, 1999, MGIC's delegated underwriting program involved approximately 606 lenders, including all of MGIC's top twenty customers. Loans insured under MGIC's delegated underwriting program accounted for approximately 35.4% of MGIC's total risk in force at December 31, 1999. The percentage of new risk written by delegated underwriters increased to 38.4% in 1999 from 36.2% in 1998 and was 36.8% in 1997. The performance of loans insured under the delegated underwriting program has been comparable to MGIC's non-delegated business, although performance of that program has not yet been tested in a period of severe economic stress.

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

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

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

Past Industry Losses; Defaults; and Claims

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

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

The following table shows the number of primary and pool loans insured in the MGIC Book, the related number of loans in default and the percentage of loans in default (default rate) as of the dates indicated:

Default Statistics for the MGIC Book

	December 31,				
	1999	1998	1997	1996	1995
	----	----	----	----	----
PRIMARY INSURANCE					
Insured loans in force ...	1,370,020	1,320,994	1,342,976	1,299,038	1,219,304
Loans in default	29,761	29,253	28,493	25,034	19,980
Percentage of loans in default (default rate)	2.17%	2.21%	2.12%	1.93%	1.64%
POOL INSURANCE					
Insured loans in force ...	1,181,512	899,063	374,378	19,123	20,427
Loans in default	11,638	6,524	2,174	855	1,053
Percentage of loans in default (default rate)	0.99%	0.73%	0.58%	4.47%	5.15%

The default rate for primary loans has generally increased due to an increase in the risk profile of loans insured in late 1994 and the first half of 1995 and the continued maturation of MGIC's insurance in force. The number of pool insurance loans in force increased at December 31, 1997, 1998 and 1999 as a result of agency pool insurance writings, and the number of pool insurance loans in default at those dates increased due to the increase in pool insurance in force. The percentage of pool insurance loans in default decreased from 1996 to 1997 as a result of the increase in pool insurance in force and increased from 1997 to 1999 due to the aging of the underlying loans in earlier pools.

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

Default Rates for Primary Insurance By Region*

	Dec. 31 1999 ----	Dec. 31 1998 ----	Dec. 31 1997 ----
MGIC REGION:			
New England.....	1.60%	1.78%	1.89%
Northeast.....	3.02	3.05	3.03
Mid-Atlantic.....	2.19	2.28	2.23
Southeast.....	2.24	2.23	2.13
Great Lakes.....	2.09	1.89	1.75
North Central.....	1.85	1.91	1.72
South Central.....	2.00	2.00	1.86
Plains.....	1.40	1.40	1.27
Pacific.....	2.42	2.73	2.69
National.....	2.17	2.21%	2.12%

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

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

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

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

Claim activity is not evenly spread throughout the coverage period of a book of primary business. Relatively few claims are received during the first two years following issuance of coverage on a loan. This is followed by a period of rising claims which, based on industry experience, has historically reached its highest level in the third through fifth years after the year of loan origination. Thereafter, the number of claims received has historically declined at a gradual rate, although the rate of decline can be affected by conditions in the economy, including lower housing price appreciation. There can be no assurance that this historical pattern of claims will continue in the future. Moreover, when a loan is refinanced, because the new loan replaces, and is a continuation of, an earlier loan, the pattern of claims frequency for that new loan may be different from the historical pattern of other loans. As of December 31, 1999, 65.5% of the MGIC Book primary insurance in force had been written during 1997, 1998 and 1999, although a portion of such insurance arose from the refinancing of earlier originations.

In addition to the increasing level of claim activity arising from the maturing of the MGIC Book, another important factor affecting MGIC Book losses is the amount of the average claim paid, which is generally referred to as claim severity. The main determinants of claim severity are the amount of the mortgage loan and coverage percentage on the loan. The average claim severity on the MGIC Book primary insurance was \$18,319 for 1999 as compared to \$20,705 in 1998, reflecting the decline in the number of claims paid from certain high cost regions of the country.

Loss Reserves

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

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

The Company's reserving process is based upon the assumption that past experience, adjusted for the anticipated effect of current economic conditions and projected future economic trends, provides a reasonable basis for estimating future events. However, estimation of loss reserves is a difficult process, especially in light of the rapidly changing economic conditions over the past few years in certain regions of the United States. In addition, economic conditions that have affected the development of the loss reserves in the past may not necessarily affect development patterns in the future, in either a similar manner or degree.

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

Geographic Dispersion

The following table reflects the percentage of primary risk in force in the top 10 states and top 10 metropolitan statistical areas ("MSAs") for the MGIC Book at December 31, 1999:

Dispersion of Primary Risk in Force

Top 10 States		Top 10 MSAs	
-----		-----	
1. California	10.9%	1. Chicago	4.1%
2. Texas	6.6	2. Los Angeles	3.0
3. Illinois	5.4	3. Boston	2.9
4. Michigan	5.4	4. Washington, DC	2.9
5. Florida	5.2	5. Atlanta	2.6
6. Ohio	4.6	6. Philadelphia	2.1
7. New York	4.4	7. Detroit	2.1
8. Pennsylvania	4.3	8. Houston	1.7
9. Georgia	3.3	9. Phoenix	1.7
10. New Jersey	3.2	10. Dallas	1.6
	-----		-----
Total	53.3%	Total	24.7%
	=====		=====

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

Insurance in Force by Policy Year

The following table sets forth the dispersion of MGIC's primary insurance in force as of December 31, 1999, by year(s) of policy origination since MGIC began operations in 1985:

Primary Insurance In Force by Policy Year

Policy Year -----	Primary Insurance in Force ----- (In millions of dollars)	Percent of Total -----
1985-1993	\$ 20,519	13.9%
1994	8,423	5.7
1995	9,630	6.5
1996	12,364	8.4
1997	17,823	12.1
1998	39,406	26.7
1999	39,442	26.7
	-----	----
Total	\$147,607 =====	100.0% =====

Product Characteristics of Risk in Force

At December 31, 1999 and 1998, 95.8% and 96.7%, respectively, of MGIC's risk in force was primary insurance and the remaining risk in force was pool insurance. The following table reflects at the dates indicated the (i) total dollar amount of primary risk in force for the MGIC Book and (ii) percentage of such primary risk in force (as determined on the basis of information available on the date of mortgage origination) by the categories indicated.

Characteristics of Primary Risk in Force

	December 31, 1999	December 31, 1998
Direct Risk in Force (Dollars in Millions):.....	\$35,623	\$32,891
Lender Concentration:		
Top 10 lenders.....	28.4%	26.4%
Top 20 lenders.....	39.7%	37.3%
LTV(1)		
95s(2)	49.8%	48.3%
90s(3).....	49.8	51.6
80s.....	0.4	0.1
Total.....	100.0%	100.0%
	=====	=====
Loan Type:		
Fixed(4).....	89.8%	87.6%
ARM(5).....	8.6	10.3
Balloon(6).....	1.5	2.0
Other.....	0.1	0.1
Total.....	100.0%	100.0%
	=====	=====
Original Insured Loan Amount(7):		
Conforming loan limit and below.....	91.4%	91.0%
Non-conforming.....	8.6	9.0
Total.....	100.0%	100.0%
	=====	=====
Mortgage Term:		
15-years and under.....	4.6%	4.4%
Over 15 years.....	95.4	95.6
Total.....	100.0%	100.0%
	=====	=====
Property Type:		
Single-family(8).....	94.0%	93.8%
Condominium.....	5.7	5.8
Other(9).....	0.3	0.4
Total.....	100.0%	100.0%
	=====	=====
Occupancy Status:		
Primary residence.....	97.7%	98.2%
Second home.....	1.4	1.2
Non-owner occupied.....	0.9	0.6
Total.....	100.0%	100.0%
	=====	=====

- (1) Loan-to-value represents the ratio (expressed as a percentage) of the dollar amount of the mortgage loan to the value of the property at the time the loan became insured. They are identified as in excess of 90% LTV ("95s"); in excess of 80% LTV and up to 90% LTV ("90s"); and equal to or less than 80% LTV ("80s").
- (2) Includes 97% LTV loans, which were 4.5% and 3.4%, respectively, of primary risk in force at December 31, 1999 and 1998.
- (3) MGIC includes in its classification of 90s, loans where the borrower makes a down payment of 10% and finances the associated mortgage insurance premium payment as part of the mortgage loan. At December 31, 1999 and 1998, 2.9% and 3.1%, respectively, of the primary risk in force consisted of these types of loans.
- (4) Includes fixed rate mortgages with temporary buydowns (where in effect, the applicable interest rate is typically reduced by one or two percentage points during the first two years of the loan) and ARMS in which the initial interest rate is fixed for at least five years.
- (5) Includes ARMS where payments adjust fully with interest rate adjustments. Also includes ARMS with negative amortization, which at December 31, 1999 and 1998, represented 1.1% and 1.5%, respectively, of primary risk in force. Does not include ARMS in which the initial interest rate is fixed for at least five years. As of December 31, 1999 and 1998, ARMS with LTVs in excess of 90% represented 7.0% and 7.5%, respectively, of primary risk in force.
- (6) Balloon payment mortgages are loans with a maturity, typically five to seven years, that is shorter than the loans' amortization period.
- (7) Loans within the conforming loan limit have an original principal balance that does not exceed the maximum original principal balance of loans that the GSEs are eligible to purchase. The conforming loan limit is subject to annual upward adjustment and was \$240,000 for 1999 and \$227,150 for 1998. Non-conforming loans are loans with an original principal balance above the conforming loan limit.
- (8) Includes townhouse-style attached housing with fee simple ownership.
- (9) Includes cooperatives and manufactured homes deemed to be real estate.

C. The WMAC Book

In 1985, the Company acquired certain assets and businesses of Wisconsin Mortgage Assurance Corporation ("WMAC") and WMAC's parent, including the MGIC name and offices of WMAC, and hired substantially all of WMAC's employees ("Acquisition"). WMAC retained substantially all of its insurance in force, net of domestic reinsurance (the "WMAC Book" and sometimes in other documents referred to as the "Old Book"). Effective as of the time of the Acquisition, WMAC reinsured 100% of the WMAC Book with several international reinsurers (the "WMAC Reinsurers"). As a result of subsequent transactions, at December 31, 1999, approximately 32.0% of the WMAC Book was reinsured with the WMAC Reinsurers and the remainder was reinsured by MGIC.

On December 31, 1998, MGIC purchased WMAC from a third party. WMAC's direct primary insurance in force, direct primary risk in force and direct pool risk in force was approximately \$2.3 billion, \$0.6 billion and \$0.4 billion, respectively, at December 31, 1999.

D. Other Business

The Company, through subsidiaries, provides various mortgage services for the mortgage finance industry, such as contract underwriting, portfolio retention and secondary marketing of mortgage-related assets. At December 31, 1999, the Company also owned approximately 48% of Credit-Based Asset Servicing and Securitization LLC and Litton Loan Servicing LP (collectively, "C-BASS") and approximately 46% of Sherman Financial Group LLC, joint ventures with Enhance Financial Services Group Inc. and senior management of the joint ventures, and approximately 47% of Customers Forever LLC, a joint venture with Marshall & Ilsley Corporation and senior management of the joint venture. For further information about these joint ventures, see "Management's Discussion and Analysis--Results of Consolidated Operations--1999 Compared to 1998" and Note 8 to the consolidated financial statements of the Company, both of which are included in Exhibit 13 to this Annual Report on Form 10-K. The revenues recognized from these mortgage services operations, other non-insurance services and the joint ventures represented 4.8% of the Company's consolidated revenues in both 1999 and 1998.

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

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

E. Investment Portfolio

Policy and Strategy

Cash flow from the Company's investment portfolio represented approximately 34% of its total cash flow from operations during 1999. Approximately 82% of the Company's long-term investment portfolio is managed by a subsidiary of The Northwestern Mutual Life Insurance Company, although the Company maintains overall control of investment policy and strategy. The Company maintains direct management of the remainder of its investment portfolio.

The Company's current policies emphasize preservation of capital, as well as total return. Therefore, the Company's investment portfolio consists almost entirely of high-quality, fixed-income investments. Liquidity is sought through diversification and investment in publicly traded securities. The Company attempts to maintain a level of liquidity commensurate with its perceived business outlook and the expected timing, direction and degree of changes in interest rates. The

Company's investment policies in effect at December 31, 1999 limited investments in the securities of a single issuer (other than the U.S. government and its agencies) and generally did not permit purchasing fixed income securities rated below "A."

At December 31, 1999, based on amortized cost, approximately 98.8% of the Company's total fixed income investment portfolio was invested in securities rated "A" or better, with 64.6% which were rated "AAA" and 26.2% which were rated "AA," in each case by at least one nationally recognized securities rating organization.

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

Investment Operations

At December 31, 1999, the consolidated book value (which is equal to market value) of the Company's investment portfolio was approximately \$2.8 billion. At December 31, 1999, municipal securities represented 77.0% of the book value of the total investment portfolio. Securities due within one year, within one to five years, within five to ten years, and after ten years, represented 4.2%, 16.7%, 31.8% and 47.3%, respectively, of the total book value of the Company's investment in debt securities. The Company's net pre-tax investment income was \$153.1 million for the year ended December 31, 1999, representing an after-tax yield of 4.9% for the year which was comparable to 1998.

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

F. Regulation

Direct Regulation

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

In general, such regulation relates, among other things, to licenses to transact business; policy forms; premium rates; annual and other reports on financial condition; the basis upon which assets and liabilities must be stated; requirements regarding contingency reserves equal to 50% of premiums earned; minimum capital levels and adequacy ratios; reinsurance requirements; limitations on the types of investment instruments which may be held in an investment portfolio; the size of risks and limits on coverage of individual risks which may be insured; deposits of securities; limits

on dividends payable; and claims handling. Most states also regulate transactions between insurance companies and their parents or affiliates and have restrictions on transactions that have the effect of inducing lenders to place business with the insurer. For a discussion of a February 1, 1999 circular letter from the NYID and a January 31, 2000 letter from the Illinois Department of Insurance, see "The MGIC Book-Types of Product-Pool Insurance" and "-Captive Mortgage Reinsurance." For a description of limits on dividends payable, see Note 11 to the consolidated financial statements of the Company, included in Exhibit 13 to this Annual Report on Form 10-K.

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

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

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

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

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

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

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

Indirect Regulation

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

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

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

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

There can be no assurance that other federal laws and regulations affecting such institutions and entities will not change, or that new legislation or regulations (including legislation or regulation that expands the permissible insurance activities of affiliates of depository institutions) will not be adopted which will adversely affect the private mortgage insurance industry.

G. Employees

At December 31, 1999, the Company had 1,114 full- and part-time employees, of whom approximately 60% were assigned to its Milwaukee headquarters and 40% to its field offices. The number of employees given above does not include "on-call" employees. The number of "on-call" employees can vary substantially, primarily as a result of changes in demand for contract underwriting services.

Item 2. Properties.

At December 31, 1999, the Company leased office space in various cities throughout the United States under leases expiring between 2000 and 2006 and which required annual rentals of \$2.6 million in 1999.

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

Item 3. Legal Proceedings.

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

In addition, MGIC is a defendant in Lambert v. MGIC. This action was commenced on December 17, 1999 with the filing of a complaint in Federal District Court for the Southern District of Georgia seeking class action status on behalf of a nationwide class of home mortgage borrowers. The complaint alleges that MGIC violated the Real Estate Settlement Procedures Act ("RESPA") by providing agency pool insurance and entering into other transactions with lenders (including captive mortgage reinsurance and contract underwriting) that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid at the time of judgment for the mortgage insurance that is found to be involved in a violation of RESPA. The complaint also seeks injunctive relief, including prohibiting MGIC from receiving future premium payments. In February 2000, MGIC answered the complaint and denied liability. There can be no assurance, however, that the ultimate outcome of this litigation will not materially affect the Company. Three other mortgage insurers are also defendants in equivalent lawsuits pending in Federal District Court for the Southern District of Georgia.

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

None

Executive Officers

Certain information with respect to the Company's executive officers as of March 1, 2000 is set forth below:

Name and Age -----	Title -----
Curt S. Culver, 47.....	President and Chief Executive Officer of the Company and MGIC; Director of the Company and MGIC
J. Michael Lauer, 55.....	Executive Vice President and Chief Financial Officer of the Company and MGIC
James S. MacLeod, 52.....	Executive Vice President--Field Operations of MGIC
Lawrence J. Pierzchalski, 47...	Executive Vice President--Risk Management of MGIC
Gordon H. Steinbach, 54.....	Executive Vice President--Credit Policy of MGIC
Lou T. Zellner, 49.....	Executive Vice President--Corporate Development of MGIC
Jeffrey H. Lane, 50.....	Senior Vice President, General Counsel and Secretary of the Company and MGIC

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

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

Mr. MacLeod has served as Executive Vice President-Field Operations of MGIC since January 1998 and was Senior Vice President-Field Operations of MGIC from May 1996 to January 1998. Mr. MacLeod has been a senior officer of MGIC since 1987 having responsibility at various times during his career with MGIC for sales, business development and marketing. From March 1985 to 1987, he held various management positions with MGIC in the areas of underwriting and risk management .

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

Mr. Steinbach has served as Executive Vice President-Credit Policy of MGIC since October 1996. He served as Executive Vice President-Affordable Housing and Claims of MGIC from July 1992 to October 1996 and prior thereto was a senior officer of MGIC since March 1985 having responsibility at various times during his career with MGIC for risk management and underwriting.

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

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

PART II

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

The information set forth in the second to last paragraph under the caption "Management's Discussion and Analysis - Liquidity and Capital Resources" and under the caption "MGIC Stock" in Exhibit 13 to this Annual Report on Form 10-K is incorporated herein by reference.

Item 6. Selected Financial Data.

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

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

Results of Operations.

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

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

The information set forth in the third to last paragraph under the caption "Management's Discussion and Analysis - Results of Consolidated Operations - 1999 Compared with 1998," in the second paragraph under the caption "Management's Discussion and Analysis Financial Condition" and in Note 5 of the Notes to the consolidated financial statements, all in Exhibit 13 to this Annual Report on Form 10-K, is hereby incorporated by reference in answer to this Item.

Item 8. Financial Statements and Supplementary Data.

The consolidated statements of operations, of shareholders' equity and of cash flows for each of the years in the three-year period ended December 31, 1999, and the related consolidated balance sheet of the Company as of December 31, 1999 and 1998, together with the related notes thereto and the report of independent accountants, as well as the unaudited quarterly financial data, all set forth in Exhibit 13 to this Annual Report on Form 10-K, are hereby incorporated by reference in answer to this Item.

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

Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information on the Directors of the Registrant is included in the Company's Proxy Statement for the 2000 Annual Meeting of Shareholders, and is hereby incorporated by reference. The information on the Executive Officers of the Registrant appears at the end of Part I of this Form 10-K.

Item 11. Executive Compensation.

This information is included in the Company's Proxy Statement for the 2000 Annual Meeting of Shareholders (other than information covered by Instruction (9) to Item 402 (a) of Regulation S-K of the Securities and Exchange Commission), and is hereby incorporated by reference.

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

This information is included in the Company's Proxy Statement for the 2000 Annual Meeting of Shareholders, and is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

This information is included in the Company's Proxy Statement for the 2000 Annual Meeting of Shareholders, and is hereby incorporated by reference.

PART IV

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

- (a) 1. Financial statements. The financial statements listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Form 10-K.
- 2. Financial statement schedules. The financial statement schedules listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Form 10-K.
- 3. Exhibits. The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item and the Exhibits listed in such Index are filed as part of this Form 10-K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1999.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

[Item 14(a) 1 and 2]

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

Consolidated statement of operations for each of the three years in the period ended December 31, 1999

Consolidated balance sheet at December 31, 1999 and 1998

Consolidated statement of shareholders' equity for each of the three years in the period ended December 31, 1999

Consolidated statement of cash flows for each of the three years in the period ended December 31, 1999

Notes to consolidated financial statements

Report of independent accountants

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

Report of independent accountants on financial statement schedules

Schedules at and for the specified years in the three-year period ended December 31, 1999:

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

Schedule II - Condensed financial information of Registrant

Schedule IV - Reinsurance

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2000.

MGIC INVESTMENT CORPORATION

By /s/ Curt S. Culver
Curt S. Culver
President and Chief Executive Officer

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

Name and Title

/s/ Curt S. Culver

Curt S. Culver
President, Chief Executive Officer
and Director

/s/ David S. Engelman

David S. Engelman, Director

/s/ James D. Ericson

James D. Ericson, Director

/s/ J. Michael Lauer

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

/s/ Daniel Gross

Daniel Gross, Director

/s/ Kenneth M. Jastrow, II

Kenneth M. Jastrow, II, Director

/s/ Patrick Sinks

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

/s/ Daniel P. Kearney

Daniel P. Kearney, Director

/s/ Sheldon B. Lubar

Sheldon B. Lubar, Director

/s/ James A. Abbott

James A. Abbott, Director

/s/ William A. McIntosh

William A. McIntosh, Director

/s/ Mary K. Bush

Mary K. Bush, Director

/s/ Leslie M. Muma

Leslie M. Muma, Director

/s/ Karl E. Case

Karl E. Case, Director

/s/ Edward J. Zore

Edward J. Zore, Director

Report of Independent Accountants on
Financial Statement Schedules

To the Board of Directors
of MGIC Investment Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 12, 2000 appearing in the 1999 Annual Report to Shareholders of MGIC Investment Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 14(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
January 12, 2000

MGIC INVESTMENT CORPORATION
SCHEDULE I - SUMMARY OF INVESTMENTS -
OTHER THAN INVESTMENTS IN RELATED PARTIES

December 31, 1999

Type of Investment	Amortized Cost	Market Value	Amount at which shown in the balance sheet
(In thousands of dollars)			
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	\$ 163,663	\$ 154,806	\$ 154,806
States, municipalities and political subdivisions	2,195,031	2,148,904	2,148,904
Foreign governments	13,933	13,973	13,973
Public utilities	55,703	54,373	54,373
All other corporate bonds	304,121	294,506	294,506
Total fixed maturities	2,732,451	2,666,562	2,666,562
Equity securities:			
Common stocks:			
Banks, trust and insurance companies	1,333	4,556	4,556
Industrial, miscellaneous and all other	10,870	10,870	10,870
Total equity securities	12,203	15,426	15,426
Short-term investments	107,746	107,746	107,746
Total investments	\$ 2,852,400	\$ 2,789,734	\$ 2,789,734

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEET
PARENT COMPANY ONLY
December 31, 1999 and 1998

	1999 ----	1998 ----
	(In thousands of dollars)	
ASSETS		

Investment portfolio, at market value:		
Fixed maturities	\$ 12,729	\$ 1,056
Short-term investments	1,663	21,983
	-----	-----
Total investment portfolio	14,392	23,039
Cash	-	5
Investment in subsidiaries, at equity in net assets	2,183,599	2,072,944
Income taxes receivable - affiliates	4,518	259
Accrued investment income	209	27
Other assets	958	848
	-----	-----
Total assets	\$ 2,203,676	\$ 2,097,122
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Liabilities:		
Notes payable	\$ 425,000	\$ 442,000
Accounts payable - affiliates	682	11,009
Other liabilities	2,005	3,522
	-----	-----
Total liabilities	427,687	456,531
	-----	-----
Shareholders' equity (note B):		
Common stock, \$1 par value, shares authorized 300,000,000; shares issued 121,110,800; outstanding 1999 - 105,798,034; 1998 - 109,003,032	121,111	121,111
Paid-in surplus	211,593	217,022
Treasury stock (shares at cost, 1999 - 15,312,766; 1998 - 12,107,768)	(665,707)	(482,465)
Accumulated other comprehensive income - unrealized (depreciation) appreciation in investment portfolio of subsidiaries, net of tax	(40,735)	94,572
Retained earnings	2,149,727	1,690,351
	-----	-----
Total shareholders' equity	1,775,989	1,640,591
	-----	-----
Total liabilities and shareholders' equity	\$ 2,203,676	\$ 2,097,122
	=====	=====

See accompanying supplementary notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENT OF OPERATIONS
PARENT COMPANY ONLY

Years Ended December 31, 1999, 1998 and 1997

	1999 -----	1998 -----	1997 -----
	(In thousands of dollars)		
Revenue:			
Equity in undistributed net income of subsidiaries	\$ 313,292	\$ 368,242	\$ 304,434
Dividends received from subsidiaries	169,650	28,394	22,143
Investment income, net	1,362	1,117	1,576
Realized investment (losses) gains, net	(216)	334	233
Other income	-	9	-
	-----	-----	-----
Total revenue	484,088	398,096	328,386
	-----	-----	-----
Expenses:			
Operating expenses	312	180	374
Interest expense	20,402	18,624	6,080
	-----	-----	-----
Total expenses	20,714	18,804	6,454
	-----	-----	-----
Income before tax	463,374	379,292	321,932
Credit for income tax	(6,827)	(6,173)	(1,818)
	-----	-----	-----
Net income	470,201	385,465	323,750
	-----	-----	-----
Other comprehensive income - unrealized investment (losses) gains, net	(135,307)	10,587	43,300
	-----	-----	-----
Comprehensive income	\$ 334,894	\$ 396,052	\$ 367,050
	=====	=====	=====

See accompanying supplementary notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENT OF CASH FLOWS
PARENT COMPANY ONLY

Years Ended December 31, 1999, 1998 and 1997

	1999 ----	1998 ----	1997 ----
	(in thousands of dollars)		
Cash flows from operating activities:			
Net income	\$ 470,201	\$ 385,465	\$ 323,750
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(313,292)	(368,242)	(304,434)
(Increase) decrease in income taxes receivable	(4,259)	18,653	(6,824)
(Increase) decrease in accrued investment income	(182)	197	36
(Decrease) increase in accounts payable - affiliates	(10,327)	7,952	(9,299)
(Decrease) increase in other liabilities	(1,517)	939	2,583
(Increase) decrease in other assets	(110)	(839)	6
Other	8,411	8,681	5,679
Net cash provided by operating activities	----- 148,925	----- 52,806	----- 11,497
Cash flows from investing activities:			
Transactions with subsidiaries	67,801	-	(5,000)
Purchase of fixed maturities	(14,448)	(500)	(8,650)
Sale of fixed maturities	1,843	10,901	17,756
Net cash provided by investing activities	----- 55,196	----- 10,401	----- 4,106
Cash flows from financing activities:			
Dividends paid to shareholders	(10,825)	(11,243)	(11,029)
Net (decrease) increase in notes payable	(17,000)	204,500	237,500
Reissuance of treasury stock	3,912	6,953	7,073
Repurchase of common stock	(200,533)	(246,840)	(248,426)
Net cash used in financing activities	----- (224,446)	----- (46,630)	----- (14,882)
Net (decrease) increase in cash and short-term investments	(20,325)	16,577	721
Cash and short-term investments at beginning of year	21,988	5,411	4,690
Cash and short-term investments at end of year	----- 1,663	----- 21,988	----- 5,411
	=====	=====	=====

See accompanying notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PARENT COMPANY ONLY

SUPPLEMENTARY NOTES

Note A

The accompanying Parent Company financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements appearing on pages 10 through 23 of the MGIC Investment Corporation 1999 Annual Report to Shareholders.

Note B

The Company's insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. As a result of a \$150 million special dividend paid by Mortgage Guaranty Insurance Corporation ("MGIC"), the Company's principle insurance subsidiary, MGIC is required to obtain regulatory approval prior to the payment of dividends in 2000. The other insurance subsidiaries of the Company can pay \$6.3 million of dividends in 2000 without such regulatory approval.

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

In 1999, 1998 and 1997, the Company paid dividends of \$10.8 million, \$11.2 million and \$11.0 million, respectively or \$.10 per share in 1999 and 1998 and \$.095 per share in 1997.

MGIC INVESTMENT CORPORATION

SCHEDULE IV - REINSURANCE

MORTGAGE INSURANCE PREMIUMS EARNED
 Years Ended December 31, 1999, 1998 and 1997

	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
	-----	-----	-----	-----	-----
	(In thousands of dollars)				
Year ended December 31, 1999	\$ 810,974 =====	\$ 25,401 =====	\$ 7,008 =====	\$ 792,581 =====	0.9%
1998	\$ 770,775 =====	\$ 17,161 =====	\$ 9,670 =====	\$ 763,284 =====	1.3%
1997	\$ 712,069 =====	\$ 15,990 =====	\$ 12,665 =====	\$ 708,744 =====	1.8%

INDEX TO EXHIBITS

[Item 14(a)3]

Exhibit Numbers -----	Description of Exhibits -----
3.1	Articles of Incorporation, as amended.(1)
3.2	Amended and Restated Bylaws.
4.1	Article 6 of the Articles of Incorporation (included within Exhibit 3.1)
4.2	Amended and Restated Bylaws (included as Exhibit 3.2)
	[The Company is a party to separate Credit Agreements with different groups of financial institutions. These Credit Agreements are not being filed pursuant to Reg. S-K Item 602(b) (4) (iii) (A). The Company hereby agrees to furnish a copy of such Credit Agreements to the Commission upon its request.]
4.3	Rights Agreement, dated as of July 22, 1999, between MGIC Investment Corporation and Firststar Bank Milwaukee, N.A., which includes as Exhibit A thereto the Form of Right Certificate and as Exhibit B thereto the Summary of Rights to Purchase Common shares(2)
10.1	Common Stock Purchase Agreement between the Company and The Northwestern Mutual Life Insurance Company ("NML"), dated November 30, 1984(3)
10.2	Tax Agreement between NML, the Company and certain subsidiaries of the Company, dated January 1, 1986, including amendment thereto dated as of August 2, 1991(4)
10.3	Tax Sharing Agreement between the Company, MGIC and certain subsidiaries of MGIC, dated January 22, 1986(5)
10.4	Amendment to Tax Agreement, dated as of August 14, 1991, by and between NML, the Company, and its subsidiaries(6)

Exhibit Numbers -----	Description of Exhibits -----
10.5	Amended and Restated Investment Advisory and Servicing Agreement between the Company and Northwestern Mutual Investment Services, Inc. ("NMIS"), dated December 5, 1997.(7) [Northwestern Mutual Investment Services, LLC has succeeded NMIS as a party to such Agreement.]
10.6	MGIC Investment Corporation Amended and Restated 1989 Stock Option Plan (including forms of option agreement).(8)
10.7	MGIC Investment Corporation 1991 Stock Incentive Plan.
10.8	Employment Agreement, dated as of January 1, 2000, between Mortgage Guaranty Insurance Corporation and William H. Lacy.
10.9	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan.
10.10	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.
10.11	Executive Bonus Plan
10.12	Supplemental Executive Retirement Plan (9)
10.13	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.(10)
10.14	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(11)
10.15	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(12)
10.16	Form of MGIC Mortgage Guaranty Master Policy, in effect generally for insurance commitments issued beginning March 1, 1995, including the Master Policy Program Endorsement relating to delegated underwriting.(13)
10.17	Form of Key Executive Employment and Severance Agreement
11	Statement re: computation of per share earnings

Exhibit Numbers	Description of Exhibits
13	Information from the 1999 Annual Report of the Company to Shareholders which is incorporated by reference in this Annual Report on Form 10-K.
21	List of Subsidiaries
23	Consent of PricewaterhouseCoopers LLP
27	Financial Data Schedule

Supplementary List of the above Exhibits which relate to management contracts or compensatory plans or arrangements.

10.6	MGIC Investment Corporation Amended and Restated 1989 Stock Option Plan (including forms of option agreement).
10.7	MGIC Investment Corporation 1991 Stock Incentive Plan.
10.8	Employment Agreement, dated as of January 1, 2000, between Mortgage Guaranty Insurance Corporation and William H. Lacy.
10.9	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan.
10.10	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.
10.11	Executive Bonus Plan
10.12	Supplemental Executive Retirement Plan.
10.13	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.
10.14	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.
10.15	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.
10.17	Form of Key Executive Employment and Severance Agreement

The following documents, identified in the footnote references above, are incorporated by reference, as indicated, to: the Company's Form S-1 Registration Statement (No. 33-41289), which became effective in August 1991 (the "1991 S-1"); the Company's Annual Reports on Form 10-K for the years ended December 31, 1991, 1993, 1994, 1996, or 1997 (the "1991 10-K," "1993 10-K," "1994 10-K," "1996 10-K," and "1997 10-K" respectively); to the Company's Quarterly Reports on Form 10-Q for the Quarters ended June 30, 1994 or 1998 (the "June 30, 1994 10-Q" and "June 30, 1998 10-Q," respectively; or to the Company's registration Statement Form 8-A filed July 27, 1999 (the "8-A"). The documents are further identified by cross-reference to the Exhibits in the respective documents where they were originally filed:

- (1) Exhibit 3 to the June 30, 1998 10-Q.
- (2) Exhibit 4.1 to the 8-A.
- (3) Exhibit 10.1 to the 1991 S-1.
- (4) The Tax Agreement is Exhibit 10.8 to the 1991 S-1 and the amendment thereto is Exhibit 10.21 to the 1991 S-1.
- (5) Exhibit 10.9 to the 1991 S-1.
- (6) Exhibit 10.10 to the 1991 10-K.
- (7) Exhibit 10.5 to the 1997 10-K.
- (8) Exhibit 10.16 to the 1996 S-1.
- (9) Exhibit 10.16 to the 1996 10-K.
- (10) Exhibit 10.23 to the 1993 10-K.
- (11) Exhibit 10.24 to the 1993 10-K.
- (12) Exhibits 10.27 and 10.28 to the June 30, 1994 10-Q.
- (13) Exhibit 10.26 to the 1994 10-K.

AMENDED AND RESTATED BYLAWS

OF

MGIC INVESTMENT CORPORATION

ARTICLE I. OFFICES

1.01. Principal and Business Offices. The corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.02. Registered Office. The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

2.01. Annual Meeting. The annual meeting of the shareholders ("Annual Meeting") shall be held on the first Monday in May, at such time or on such other day as may be designated by resolution of the Board of Directors. In fixing a meeting date for any Annual Meeting, the Board of Directors may consider such factors as it deems relevant within the good faith exercise of its business judgment.

2.02. Purposes of Annual Meeting. At each Annual Meeting, the shareholders shall elect the number of directors equal to the number of directors in the class whose term expires at the time of such Annual Meeting and transact such other business as may properly come before the Annual Meeting in accordance with Section 2.14 of these Bylaws. If the election of directors shall not be held on the date designated herein, or fixed as herein provided, for any Annual Meeting, or any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of shareholders (a "Special Meeting") as soon thereafter as is practicable.

2.03. Special Meetings.

(a) A Special Meeting, unless otherwise prescribed by the Wisconsin Business Corporation Law, may be called only by (i) the Board of Directors, (ii) the Chairman of the Board (if a Chairman is elected) or (iii) the President and shall be called by the Chairman of the Board or the President upon the demand, in accordance with this Section 2.03, of the holders

-1-

of record of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting.

(b) In order that the corporation may determine the shareholders entitled to demand a Special Meeting, the Board of Directors may fix a record date to determine the shareholders entitled to make such a demand (the "Demand Record Date"). The Demand Record Date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors and shall not be more than ten days after the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. Any shareholder of record seeking to have shareholders demand a Special Meeting shall, by sending written notice to the Secretary of the corporation by hand or by certified or registered mail, return receipt requested, request the Board of Directors to fix a Demand Record Date. The Board of Directors shall promptly, but in all events within ten days after the date on which a valid request to fix a Demand Record Date is received, adopt a resolution fixing the Demand Record Date and shall make a public announcement of such Demand Record Date. If no Demand Record Date has been fixed by the Board of Directors within ten days after the date on which such request is received by the Secretary, the Demand Record Date shall be the 10th day after the first date on which a valid written request to set a Demand Record Date is received by the Secretary. To be valid, such written request shall set forth the purpose or purposes for which the Special Meeting is to be held, shall be signed by one or more shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative) and shall set forth all information about each such shareholder and about the beneficial owner or owners, if any, on whose behalf the request is made that would be required to be set forth in a shareholder's notice described in paragraph (a) (ii) of Section 2.14 of these Bylaws.

(c) In order for a shareholder or shareholders to demand a Special Meeting, a written demand or demands for a Special Meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting must be delivered to the corporation. To be valid, each written demand by a shareholder for a Special Meeting shall set forth the specific purpose or purposes for which the Special Meeting is to be held (which purpose or purposes shall be limited to the purpose or purposes set forth in the written request to set a Demand Record Date received by the corporation pursuant to paragraph (b) of this Section 2.03), shall be signed by one or more persons who as of the Demand Record Date are shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), and shall set forth the name and address, as they appear in the corporation's books, of each

shareholder signing such demand and the class and number of shares of the corporation which are owned of record and beneficially by each such shareholder, shall be sent to the Secretary by hand or by certified or registered mail, return receipt requested, and shall be received by the Secretary within seventy days after the Demand Record Date.

(d) The corporation shall not be required to call a Special Meeting upon shareholder demand unless, in addition to the documents required by paragraph (c) of this Section 2.03, the Secretary receives a written agreement signed by each Soliciting Shareholder (as defined below), pursuant to which each Soliciting Shareholder, jointly and severally, agrees to pay the corporation's costs of holding the Special Meeting, including the costs of preparing and mailing proxy materials for the corporation's own solicitation, provided that if each of the resolutions introduced by any Soliciting Shareholder at such meeting is adopted, and each of the individuals nominated by or on behalf of any Soliciting Shareholder for election as a director at such meeting is elected, then the Soliciting Shareholders shall not be required to pay such costs. For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) "Affiliate" of any Person (as defined herein) shall mean any Person controlling, controlled by or under common control with such first Person.

(ii) "Participant" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(iii) "Person" shall mean any individual, firm, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.

(iv) "Proxy" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(v) "Solicitation" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Exchange Act.

(vi) "Soliciting Shareholder" shall mean, with respect to any Special Meeting demanded by a shareholder or shareholders, any of the following Persons:

(A) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph (c) of this Section 2.03 is ten or fewer, each shareholder signing any such demand;

(B) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph (c) of this Section 2.03 is more than ten, each Person who either (I) was a Participant in any Solicitation of such demand or demands or (II) at the time of the delivery to the corporation of the documents described in paragraph (c) of this Section 2.03 had engaged or intends to engage in any Solicitation of Proxies for use at such Special Meeting (other than a Solicitation of Proxies on behalf of the corporation); or

(C) any Affiliate of a Soliciting Shareholder, if a majority of the directors then in office determine, reasonably and in good faith, that such Affiliate should be required to sign the written notice described in paragraph (c) of this Section 2.03 and/or the written agreement described in this paragraph (d) in order to prevent the purposes of this Section 2.03 from being evaded.

(e) Except as provided in the following sentence, any Special Meeting shall be held at such hour and day as may be designated by whichever of the Board of Directors, the Chairman of the Board or the President shall have called such meeting. In the case of any Special Meeting called by the Chairman of the Board or the President upon the demand of shareholders (a "Demand Special Meeting"), such meeting shall be held at such hour and day as may be designated by the Board of Directors; provided, however, that the date of any Demand Special Meeting shall be not more than seventy days after the Meeting Record Date (as defined in Section 2.06 hereof); and provided further that in the event that the directors then in office fail to designate an hour and date for a Demand Special Meeting within ten days after the date that valid written demands for such meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on each issue proposed to be considered at the Special Meeting are delivered to the corporation (the "Delivery Date"), then such meeting shall be held at 2:00 P.M. local time on the 100th day after the Delivery Date or, if such 100th day is not a Business Day (as defined below), on the first preceding Business Day. In fixing a meeting date for any Special Meeting, the Board of Directors, the Chairman of the Board or the President may consider such factors as it or he deems relevant within the good faith exercise of its or his business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding any demand for such meeting, and any plan of the Board of Directors to call an Annual Meeting or a Special Meeting for the conduct of related business.

(f) The corporation may engage regionally or nationally recognized independent inspectors of elections to act as an agent of the corporation for the purpose of promptly performing a ministerial review of the validity of any purported written demand or demands for a Special Meeting received by the Secretary. For the purpose of permitting the inspectors to perform such review, no purported demand shall be deemed to have been delivered to the corporation until the earlier of (i) five Business Days following receipt by the Secretary of such purported demand and (ii) such date as the independent inspectors certify to the corporation that the valid demands received by the Secretary represent at least 10% of all the votes entitled to be cast on each issue proposed to be considered at the Special Meeting. Nothing contained in this paragraph (f) shall in any way be construed to suggest or imply that the Board of Directors or any shareholder shall not be entitled to contest the validity of any demand, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

(g) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Wisconsin are authorized or obligated by law or executive order to close.

2.04. Place of Meeting. The Board of Directors, the Chairman of the Board, the President or the Secretary may designate any place, either within or without the State of Wisconsin, as the place of meeting for any Annual Meeting or for any Special Meeting or for any postponement or adjournment thereof. If no designation is made, the place of meeting shall be the principal business office of the corporation in the State of Wisconsin. Any meeting may be adjourned to reconvene at any place designated by vote of the Board of Directors or by the Chairman of the Board, the President or the Secretary.

2.05. Notice of Meeting. Written or printed notice stating the date, time and place of any Annual Meeting or Special Meeting shall be delivered not less than three days (unless a longer period is required by the Wisconsin Business Corporation Law) nor more than 70 days before the date of such meeting either personally or by mail, by or at the direction of the Chairman of the Board, the President or the Secretary, to each shareholder of record entitled to vote at such meeting and to such other shareholders as required by the Wisconsin Business Corporation Law. In the event of any Demand Special Meeting, such notice shall be sent not more than 45 days after the Delivery Date. If mailed, notice pursuant to this Section 2.05 shall be deemed to be effective when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock record books of the corporation, with postage thereon prepaid. Unless otherwise required by the Wisconsin Business Corporation Law or the articles of incorporation of the corporation, a notice of an Annual Meeting need not include a description of the purpose for which the meeting is called. In the case of any Special Meeting, (a) the notice of meeting shall describe any business that the Board of Directors shall have theretofore determined to bring before the meeting and (b) in the case of a Demand Special Meeting, the notice of meeting (i) shall describe any business set forth in the statement of purpose of the demands received by the corporation in accordance with Section 2.03 of these Bylaws and (ii) shall contain all of the information required in the notice received by the corporation in accordance with Section 2.14(b) of these Bylaws. If an Annual Meeting or Special Meeting is adjourned to a different date, time or place, the corporation shall not be required to give notice of the new date, time or place if the new date, time or place is announced at the meeting before adjournment; provided, however, that if a new Meeting Record Date for an adjourned meeting is or must be fixed, the corporation shall give notice of the adjourned meeting to persons who are shareholders as of the new Meeting Record Date.

2.06. Fixing of Record Date. The Board of Directors may fix in advance a date not less than 10 days and not more than 70 days prior to the date of any Annual Meeting or Special Meeting as the record date for the purpose of determining shareholders entitled to notice of, and to vote at, such meeting ("Meeting Record Date"). In the case of any Demand Special Meeting, (i) the Meeting Record Date shall not be later than the 30th day after the Delivery Date and (ii) if the Board of Directors fails to fix the Meeting Record Date within 30 days after the Delivery Date, then the close of business on such 30th day shall be the Meeting Record Date. The shareholders of record on the Meeting Record Date shall be the shareholders entitled to notice of,

and to vote at, the meeting. Except as provided by the Wisconsin Business Corporation Law for a court-ordered adjournment, a determination of shareholders entitled to notice of, and to vote at, any Annual Meeting or Special Meeting is effective for any adjournment of such meeting unless the Board of Directors fixes a new Meeting Record Date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. The Board of Directors may also fix in advance a date as the record date for the purpose of determining shareholders entitled to take any other action or determining shareholders for any other purpose. Such record date shall be not more than 70 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. The record date for determining shareholders entitled to a distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation's shares) or a share dividend is the date on which the Board of Directors authorizes the distribution or share dividend, as the case may be, unless the Board of Directors fixes a different record date.

2.07. Voting Records. After a Meeting Record Date has been fixed, the corporation shall prepare a list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of, and number of shares held by, each shareholder. Such list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder or his agent may, on written demand, inspect and, subject to the limitations imposed by the Wisconsin Business Corporation Law, copy the list, during regular business hours and at his expense, during the period that it is available for inspection pursuant to this Section 2.07. The corporation shall make the shareholders' list available at the meeting and any shareholder or his agent or attorney may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the shareholders' list shall not affect the validity of any action taken at a meeting of shareholders.

2.08. Quorum and Voting Requirements; Postponements; Adjournments.

(a) Shares entitled to vote as a separate voting group may take action on a matter at any Annual Meeting or Special Meeting only if a quorum of those shares exists with respect to that matter. If the corporation has only one class of stock outstanding, such class shall constitute a separate voting group for purposes of this Section 2.08. Except as otherwise provided in the articles of incorporation of this corporation or the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast on the matter shall constitute a quorum of the voting group for action on that matter. Once a share is represented for any purpose at any Annual Meeting or Special Meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting, unless a new Meeting Record Date is or must be set for the adjourned meeting. If a quorum exists, except in the case of the election of directors, action on a matter shall be approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the articles of incorporation of the corporation or the

Wisconsin Business Corporation Law requires a greater number of affirmative votes. Unless otherwise provided in the articles of incorporation of the corporation, each director shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at any Annual Meeting or Special Meeting at which a quorum is present.

(b) The Board of Directors acting by resolution may postpone and reschedule any previously scheduled Annual Meeting or Special Meeting; provided, however, that a Demand Special Meeting shall not be postponed beyond the 100th day following the Delivery Date. Any Annual Meeting or Special Meeting may be adjourned from time to time, whether or not there is a quorum, (i) at any time, upon a resolution of shareholders if the votes cast in favor of such resolution by the holders of shares of each voting group entitled to vote on any matter theretofore properly brought before the meeting exceed the number of votes cast against such resolution by the holders of shares of each such voting group or (ii) at any time prior to the transaction of any business at such meeting, by the Chairman of the Board or the President or pursuant to a resolution of the Board of Directors. No notice of the time and place of adjourned meetings need be given except as required by the Wisconsin Business Corporation Law. At any adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

2.09. Conduct of Meetings. The Chairman of the Board, and in his absence, the Vice Chairman of the Board, and in his absence, the President, and in their absence, a Vice President in the order provided under Section 4.08, and in their absence, any person chosen by the shareholders present shall call any Annual Meeting or Special Meeting to order and shall act as chairman of such meeting, and the Secretary of the corporation shall act as secretary of all Annual Meetings and Special Meetings, but in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.10. Proxies. At all Annual Meetings and Special Meetings, a shareholder entitled to vote may vote in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the corporation authorized to tabulate votes. An appointment is valid for eleven months from the date of its signing unless a different period is expressly provided in the appointment form. Unless otherwise provided, a proxy may be revoked any time before it is voted, either by written notice filed with the Secretary or the acting secretary of the meeting or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has filed his proxy does not of itself constitute a revocation. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxies.

2.11. Voting of Shares.

(a) Each outstanding share shall be entitled to one vote upon each matter submitted to a vote at any Annual Meeting or Special Meeting, except to the extent that the

voting rights of the shares of any class or classes are enlarged, limited or denied by the Wisconsin Business Corporation Law or the articles of incorporation of the corporation.

(b) Shares held by another corporation, if a sufficient number of shares entitled to elect a majority of the directors of such other corporation is held directly or indirectly by this corporation, shall not be entitled to vote at any Annual Meeting or Special Meeting, but shares held in a fiduciary capacity may be voted.

2.12. Acceptance of Instruments Showing Shareholder Action. If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder, the corporation may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

(a) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity.

(b) The name purports to be that of a personal representative, administrator, executor, guardian or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(c) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver or proxy appointment.

(e) Two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.

The corporation may reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent of the corporation who is authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

2.13. Waiver of Notice by Shareholders. A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the articles of incorporation of the corporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, contain the same

information that would have been required in the notice under applicable provisions of the Wisconsin Business Corporation Law (except that the time and place of meeting need not be stated) and be delivered to the corporation for inclusion in the corporate records. A shareholder's attendance at any Annual Meeting or Special Meeting, in person or by proxy, waives objection to all of the following: (a) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting; and (b) consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.14. Notice of Shareholder Business and Nomination of Directors.

(a) Annual Meetings.

(i) Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the shareholders may be made at an Annual Meeting (A) pursuant to the corporation's notice of meeting, (B) by or at the direction of the Board of Directors or (C) by any shareholder of the corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw and who is entitled to vote at the meeting and complies with the notice procedures set forth in this Section 2.14.

(ii) For nominations or other business to be properly brought before an Annual Meeting by a shareholder pursuant to clause (C) of paragraph (a)(i) of this Section 2.14, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a shareholder's notice shall be received by the Secretary of the corporation at the principal offices of the corporation not less than 45 days nor more than 70 days prior to the first annual anniversary of the date set forth in the corporation's proxy statement for the immediately preceding Annual Meeting as the date on which the corporation first mailed definitive proxy materials for the immediately preceding Annual Meeting (the "Anniversary Date"); provided, however, that in the event that the date for which the Annual Meeting is called is advanced by more than 30 days or delayed by more than 30 days from the first annual anniversary of the immediately preceding Annual Meeting, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 100th day prior to the date of such Annual Meeting and not later of (A) the 75th day prior to the date of such Annual Meeting or (B) the 10th day following the day on which public announcement of the date of such Annual Meeting is first made. In no event shall the announcement of an adjournment of an Annual Meeting commence a new time period for the giving of a shareholder notice as described above. Such shareholder's notice shall be signed by the shareholder of record who intends to make the nomination or introduce the other business (or his duly authorized proxy or other representative), shall bear the date of signature of such shareholder (or proxy or other representative) and shall set forth: (A) the name and address, as

they appear on this corporation's books, of such shareholder and the beneficial owner or owners, if any, on whose behalf the nomination or proposal is made; (B) the class and number of shares of the corporation which are beneficially owned by such shareholder or beneficial owner or owners; (C) a representation that such shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination or introduce the other business specified in the notice; (D) in the case of any proposed nomination for election or re-election as a director, (I) the name and residence address of the person or persons to be nominated, (II) a description of all arrangements or understandings between such shareholder or beneficial owner or owners and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by such shareholder, (III) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Exchange Act, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors and (IV) the written consent of each nominee to be named in a proxy statement and to serve as a director of the corporation if so elected; and (E) in the case of any other business that such shareholder proposes to bring before the meeting, (I) a brief description of the business desired to be brought before the meeting and, if such business includes a proposal to amend these Bylaws, the language of the proposed amendment, (II) such shareholder's and beneficial owner's or owners' reasons for conducting such business at the meeting and (III) any material interest in such business of such shareholder and beneficial owner or owners.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Section 2.14 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least 45 days prior to the Anniversary Date, a shareholder's notice required by this Section 2.14 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(b) Special Meetings. Only such business shall be conducted at a Special Meeting as shall have been described in the notice of meeting sent to shareholders pursuant to Section 2.05 of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a Special Meeting at which directors are to be elected pursuant to such notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the

corporation who (A) is a shareholder of record at the time of giving of such notice of meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures set forth in this Section 2.14. Any shareholder desiring to nominate persons for election to the Board of Directors at such a Special Meeting shall cause a written notice to be received by the Secretary of the corporation at the principal offices of the corporation not earlier than ninety days prior to such Special Meeting and not later than the close of business on the later of (x) the 60th day prior to such Special Meeting and (y) the 10th day following the day on which public announcement is first made of the date of such Special Meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. Such written notice shall be signed by the shareholder of record who intends to make the nomination (or his duly authorized proxy or other representative), shall bear the date of signature of such shareholder (or proxy or other representative) and shall set forth: (A) the name and address, as they appear on the corporation's books, of such shareholder and the beneficial owner or owners, if any, on whose behalf the nomination is made; (B) the class and number of shares of the corporation which are beneficially owned by such shareholder or beneficial owner or owners; (C) a representation that such shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination specified in the notice; (D) the name and residence address of the person or persons to be nominated; (E) a description of all arrangements or understandings between such shareholder or beneficial owner or owners and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by such shareholder; (F) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Exchange Act, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors; and (G) the written consent of each nominee to be named in a proxy statement and to serve as a director of the corporation if so elected.

(c) General.

(i) Only persons who are nominated in accordance with the procedures set forth in this Section 2.14 shall be eligible to serve as directors. Only such business shall be conducted at an Annual Meeting or Special Meeting as shall have been brought before such meeting in accordance with the procedures set forth in this Section 2.14. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.14 and, if any proposed nomination or business is not in compliance with this Section 2.14, to declare that such defective proposal shall be disregarded.

(ii) For purposes of this Section 2.14, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly

filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 2.14, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.14. Nothing in this Section 2.14 shall be deemed to limit the corporation's obligation to include shareholder proposals in its proxy statement if such inclusion is required by Rule 14a-8 under the Exchange Act.

ARTICLE III. BOARD OF DIRECTORS

3.01 General Powers; Number and Classification; Vacancy.

(a) All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

(b) The number of directors of the corporation shall be not less than 7 nor more than 17, as determined from time to time by the Board of Directors, divided into three substantially equal classes and designated as Class I, Class II and Class III, respectively. Commencing at a Special Meeting to be held promptly after the adoption of these Bylaws, a class of directors shall be elected to Class I for a term to expire at the 1992 Annual Meeting, a class of directors shall be elected to Class II for a term to expire at the 1993 Annual Meeting and a class of directors shall be elected to Class III for a term to expire at the 1994 Annual Meeting and, in each case, until their successors are duly qualified and elected. At each Annual Meeting thereafter the successors to the class of directors whose term shall expire at the time of Annual Meeting shall be elected to hold office until the third succeeding Annual Meeting, and until their successors are duly qualified and elected or until there is a decrease in the number of directors that takes effect after the expiration of their term.

(c) Any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, shall be filled by the affirmative vote of a majority of the directors then in office, though less than a quorum of the Board of Directors, or by a sole remaining director. Any director so elected shall serve until the next election of the class for which such director shall have been chosen and until his successor shall be duly qualified and elected.

3.02. Resignations and Qualifications. A director may resign at any time by delivering written notice which complies with the Wisconsin Business Corporation Law to the Board of Directors, the Chairman of the Board or to the corporation. A director's resignation is effective when the notice is delivered unless the notice specifies a later effective date. Directors need not be residents of the State of Wisconsin or shareholders of the corporation.

3.03. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after the Annual Meeting. The place of such regular meeting shall be the same as the place of the Annual Meeting which precedes it, or such other suitable place as may be announced to directors at or before such Annual Meeting. The Board of Directors may provide, by resolution, the date, time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings of the Board of Directors without other notice than such resolution.

3.04. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, President, Secretary or any two directors. The Chairman of the Board, the President or the Secretary may designate any place, either within or without the State of Wisconsin, as the place for holding any such special meeting. If no designation is made, the place of meeting shall be the principal business office of the corporation in the State of Wisconsin.

3.05 Notice; Waiver. Notice of each meeting of the Board of Directors (unless otherwise provided in or pursuant to Section 3.03) shall be given to each director not less than 24 hours prior to the meeting by giving oral, telephonic or written notice to a director communicated in person, or by telegram, facsimile or other form of wire or wireless communication, or not less than 48 hours prior to a meeting by delivering, sending by private carrier or mailing written notice to the business address or such other address as a director shall have designated in writing filed with the Secretary. If mailed, such notice shall be deemed to be effective when deposited in the United States mail so addressed with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be effective when the telegram addressed as in case of notice by mail is delivered to the telegraph company. If notice is given by private carrier, such notice shall be deemed to be effective when the notice addressed as in case of notice by mail is delivered to the private carrier. Whenever any notice whatever is required to be given to any director of the corporation under the articles of incorporation of the corporation, these Bylaws or any provision of the Wisconsin Business Corporation Law, a waiver thereof in writing, signed at any time, whether before or after the date and time of meeting, by the director entitled to such notice, shall be deemed equivalent to the giving of such notice. The corporation shall retain any such waiver as part of its permanent corporate records, but only for so long as such other permanent corporate records are maintained. A director's attendance at, or participation in, a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly upon his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice, or waiver of notice, of such meeting.

3.06. Quorum. Except as otherwise provided by the Wisconsin Business Corporation Law, the articles of incorporation of the corporation or these Bylaws, a majority of the number of directors fixed in Section 3.01 shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a majority of the directors present (though less than such quorum) may adjourn any meeting of the Board of Directors or any committee thereof, as the case may be, from time to time without further notice. Except as otherwise

provided by the Wisconsin Business Corporation Law, the articles of incorporation or by these Bylaws, a quorum of any committee of the Board of Directors created pursuant to Section 3.12 hereof shall consist of a majority of the number of directors appointed to serve on the committee, but a majority of the members present (though less than a quorum) may adjourn the meeting from time to time without further notice.

3.07. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by the Wisconsin Business Corporation Law, the articles of incorporation of this corporation or these Bylaws.

3.08. Conduct of Meetings. The Chairman of the Board, and in his absence, the Vice Chairman of the Board, and in their absence, the President and in their absence, a Vice President in the order provided under Section 4.08, and in their absence, any director chosen by the directors present, shall call meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint any Assistant Secretary or any director or any other person present to act as secretary of the meeting. Minutes of any regular or special meeting of the Board of Directors shall be prepared and distributed to each director.

3.09. Compensation. The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the corporation as directors, officers or otherwise, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for, or to delegate authority to an appropriate committee to provide for, reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents, or beneficiaries on account of prior services rendered by such directors, officers and employees to the corporation.

3.10. Unanimous Consent Without Meeting. Any action required or permitted by the articles of incorporation of the corporation, these Bylaws or any provision of the Wisconsin Business Corporation Law to be taken by the Board of Directors (or any committee thereof created pursuant to Section 3.12) at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all members of the Board of Directors or of the committee, as the case may be, then in office. Any such consent action may be signed in separate counterparts and shall be effective when the last director or committee member signs the consent, unless the consent specifies a different effective date.

3.11. Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors or any committee thereof of which he is a member at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless any of the following occurs: (a) the director objects at the beginning of the meeting or promptly upon his arrival to holding the meeting or transacting business at the meeting; (b) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (c) the director delivers written notice that complies with the Wisconsin Business Corporation Law of his dissent or abstention to the presiding officer of the meeting before its adjournment or

to the corporation immediately after adjournment of the meeting. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

3.12. Committees.

(a) (i) An Executive Committee consisting of three or more members of the Board of Directors be and it hereby is created. The Board of Directors by the affirmative vote of a majority of the number of directors fixed in Section 3.01, shall designate the members of the Executive Committee, one of whom shall be designated by the Board of Directors as Chairman of the Executive Committee. The Executive Committee shall have and may exercise all powers of the Board of Directors in the management of the business and affairs of the corporation when the Board of Directors is not in session; provided, however, that the Executive Committee shall have no power or authority to take action on behalf of the Board of Directors to the extent limited in Section 3.12(b) of these Bylaws or the Wisconsin Business Corporation Law. The Board of Directors shall have the power at any time to fill vacancies in, to change the members of, or to dissolve the Executive Committee by the affirmative vote of a majority of the directors then in office, though less than a quorum of the Board of Directors, or by a sole remaining director.

(ii) Notice of each meeting of the Executive Committee shall be given to each member thereof in accordance with Section 3.05. The attendance or participation of a committee member at a meeting shall constitute a waiver of required notice to him of such meeting, unless the committee member at the beginning of the meeting or promptly upon his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, not the purpose of, any meeting of the Executive Committee need be specified in the notice, or waiver of notice, of such meeting.

(iii) The act of the majority of the members present at a meeting at which a quorum is present shall be the act of the Executive Committee, unless the act of a greater number is required by the Wisconsin Business Corporation Law or by the articles incorporation of the corporation or these Bylaws.

(iv) The Chairman of the Executive Committee, and, in his absence, any member chosen by the members present, shall call meetings of the Executive Committee to order and shall act as chairman of the meeting. The presiding officer may appoint any member or other person present to act as secretary of the meeting. Unless otherwise provided by the Wisconsin Business Corporation Law, the articles of incorporation of the corporation or these Bylaws, the Executive Committee shall fix its own rules governing the conduct of its activities and shall keep and report to the Board of Directors regular minutes of the proceedings of the Executive Committee for subsequent approval by the Board of Directors.

(b) The Board of Directors by resolution adopted by the affirmative vote of a majority of the number of directors fixed in Section 3.01 may designate one or more other committees, appoint members of the Board of Directors to serve on the committees and designate other members of the Board of Directors to serve as alternates. Alternate members of a

committee shall take the place of any absent member or members at any meeting of such committee upon request of the Chairman of the Board or the President or upon request of the chairman of such meeting. Each committee (other than the Executive Committee) shall consist of two or more directors elected by, and to serve at the pleasure of, the Board of Directors. A committee may be authorized to exercise the authority of the Board of Directors, except that a committee (including the Executive Committee) may not do any of the following: (a) authorize distributions; (b) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires to be approved by shareholders; (c) fill vacancies on the Board of Directors or, unless the Board of Directors provides by resolution that vacancies on a committee shall be filled by the affirmative vote of the remaining committee members, on any Board committee; (d) amend the articles of incorporation of the corporation; (e) adopt, amend or repeal these Bylaws; (f) approve a plan of merger not requiring shareholder approval; (g) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; and (h) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee to do so within limits prescribed by the Board of Directors. Unless otherwise provided by the Board of Directors in creating the committee, a committee (including the Executive Committee) may employ counsel, accountants and other consultants to assist it in the exercise of its authority. Notices of committee meetings shall be given to committee members in compliance with Section 3.05. Each such committee shall fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

3.13. Telephonic Meetings. Except as herein provided and notwithstanding any place set forth in the notice of the meeting or these Bylaws, members of the Board of Directors (and any committees thereof created pursuant to Section 3.12) may participate in regular or special meetings by, or through the use of, any means of communication by which all participants may simultaneously hear each other, such as by conference telephone. If a meeting is conducted by such means, then at the commencement of such meeting the presiding officer shall inform the participating directors that a meeting is taking place at which official business may be transacted. Any participant in a meeting by such means shall be deemed present in person at such meeting. If action is to be taken at any meeting held by such means on any of the following: (a) a plan of merger or share exchange; (b) a sale, lease, exchange or other disposition of substantial property or assets of the corporation; (c) a voluntary dissolution or the revocation of voluntary dissolution proceedings; or (d) a filing for bankruptcy, then the identity of each director participating in such meeting must be verified by the disclosure at such meeting by each such director of each such director's social security number to the secretary of the meeting before a vote may be taken on any of the foregoing matters. For purposes of the preceding clause (b), the phrase "sale, lease, exchange or other disposition of substantial property or assets" shall mean any sale, lease, exchange or other disposition of property or assets of the corporation having a net book value equal to 10% or more of the net book value of the total assets of the corporation on and as of the close of the fiscal year last ended prior to the date of such meeting and as to which financial statements of the corporation have been prepared.

ARTICLE IV. OFFICERS

4.01. Number. The principal offices of the corporation shall be a President, one or more Vice Presidents, as authorized from time to time by the Board of Directors, a Controller, a Secretary and a Treasurer and such other officers and agents as the Board of Directors may from time to time determine necessary, each of whom shall be chosen by the Board of Directors. The Board of Directors may also from time to time elect or appoint a Chairman of the Board and a Vice Chairman of the Board. The Board of Directors may also authorize any duly authorized officer to appoint one or more officers or assistant officers. Any number of offices may be held by the same person.

4.02. Election and Term of Office. The officers of the corporation to be elected by the Board of Directors shall be elected annually at the first meeting of the Board of Directors held after each Annual Meeting. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as practicable. Each officer shall hold office until his successor shall have been duly chosen or until his prior death, resignation or removal.

4.03. Removal. The Board of Directors may remove any officer and, unless restricted by the Board of Directors or these Bylaws, an officer may remove any officer or assistant officer appointed by that officer, at any time, with or without cause and notwithstanding the contract rights, if any, of the officer removed. The election or appointment of an officer does not of itself create contract rights.

4.04. Resignations and Vacancies.

(a) An officer may resign at any time by delivering notice to the corporation that complies with the Wisconsin Business Corporation Law. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date.

(b) A vacancy in the office of President, Secretary or Treasurer shall be filled by the Board of Directors for the unexpired portion of the term. A vacancy in any other office may also be filled by the Board of Directors, should it deem it necessary to do so. If a resignation of an officer is effective at a later date as contemplated by this Section 4.04, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor may not take office until the effective date.

4.05. Chairman of the Board. The Chairman of the Board, if one is elected, shall preside at all Annual Meetings and Special Meetings, if he desires to do so, and at all meetings of the Board of Directors. The Chairman shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other departments or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by the Board of Directors.

4.06. Vice Chairman of the Board. The Vice Chairman of the Board, if one shall be elected or appointed, shall in the absence of the Chairman of the Board, perform the duties

and functions of the Chairman of the Board. He shall also in general perform such other duties and functions as may be delegated or assigned to him by the Board of Directors or the Chairman of the Board.

4.07. President. The President shall be the Chief Executive Officer of the corporation. Subject to the control of the Board of Directors, the President shall, in general, supervise and control the business and affairs of the corporation. The President shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint and remove such agents and employees of the corporation as he shall deem necessary, to prescribe their powers, duties and compensation and to delegate authority to them. He shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or the Board of Directors, he may authorize any Executive Vice President or any Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general he shall perform all duties incident to the office of President and Chief Executive Officer and such other duties as may be assigned or delegated by the Board of Directors from time to time.

4.08. The Vice Presidents. The Board of Directors shall elect one or more Vice Presidents as it shall deem necessary for the carrying out of the corporation's business, some of whom may be designated as Executive Vice Presidents and some of whom may be designated as Senior Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or, in the event there be more than one Vice President, giving priority to any Executive Vice Presidents, and then to any Senior Vice Presidents (in the order of their respective priorities), but otherwise in the order designated by the Board of Directors or in the absence of any such designation, then in order of choosing) shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all restrictions upon the President. Any Vice President shall perform such duties and have such authority, as, from time to time, may be delegated or assigned to him by the President, or by the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence as to third parties of his authority to act in the stead of the President.

4.09. The Secretary. The Secretary shall: (a) keep the minutes of the Annual Meetings and Special Meetings and other meetings of the Board of Directors in one or more books provided for that purpose (including records of consent actions taken by the shareholders or the Board of Directors (or committees thereof) without a meeting; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by the Wisconsin Business Corporation Law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) maintain a record of the shareholders of the corporation, in a form that permits preparation of a list of the names and addresses of all shareholders, by class or series of shares, if any, and showing the number and class or series of shares, if any, held by each shareholder; (e) sign with the President, or a Vice

President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him by the President, any Vice President or the Board of Directors.

4.10. The Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Section 5.04; and (c) in general perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him by the President, any Vice President or the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

4.11. Controller. Subject to the control and supervision of the Board of Directors, the Controller shall have charge of the books of account of the corporation and maintain appropriate accounting records and he shall perform such other duties and exercise such other authority as from time to time may be delegated or assigned to him by the Board of Directors, the President or the Vice President responsible for financial matters.

4.12. Assistant Secretaries and Assistant Treasurers. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize. The Assistant Secretaries may sign with the President or a Vice President certificates for shares of the corporation, the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the President, any Vice President or the Board of Directors.

4.13. Other Assistants and Acting Officers. The Board of Directors shall have the power to appoint, or to authorize any duly appointed officer of the corporation to appoint, any person to act as assistant to any officer, or as agent for the corporation in his stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors or an authorized officer shall have the power to perform all the duties of the office to which he is so appointed to be assistant, or as to which he is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or the appointing officer.

4.14. Salaries. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or, except in the case of the Chairman of the Board, the Vice

Chairman of the Board, President or any Executive Vice President, by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS
AND DEPOSITS; SPECIAL CORPORATE ACTS

5.01. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the corporation shall be executed in the name of the corporation by the President or any Vice President and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; the Secretary or an Assistant Secretary, when necessary or required, shall affix the corporate seal thereto; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

5.02. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

5.03. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

5.04. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as may be selected by or under the authority of a resolution of the Board of Directors.

5.05. Voting of Securities Owned by the Corporation. Subject always to the specific directions of the Board of Directors, any share or shares of stock or other securities issued by any other corporation and owned or controlled by the corporation may be voted at any meeting of security holders of such other corporation by the President or by any Vice President who may be present. Whenever, in the judgment of the President or of any Vice President, it is desirable for the corporation to execute a proxy or written consent in respect to any share or shares of stock or other securities issued by any other corporation and owned by the corporation, such proxy or consent shall be executed in the name of the corporation by the President or by any one of the Vice Presidents and, if required, should be attested by the Secretary or an Assistant Secretary under the corporate seal without necessity of any authorization by the Board of Directors. Any person or persons designated in the manner above stated as the proxy or proxies

of the corporation shall have full right, power and authority to vote the share or shares of stock issued by such other corporation and owned by the corporation the same as such share or shares might be voted by the corporation.

5.06. No Nominee Procedures. The corporation has not established, and nothing in these Bylaws shall be deemed to establish, any procedure by which a beneficial owner of the corporation's shares that are registered in the name of a nominee is recognized by the corporation as the shareholder under Section 180.0723 of the Wisconsin Business Corporation Law.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01. Certificates for Shares. Certificates representing shares of the corporation shall be in such form consistent with the Wisconsin Business Corporation Law, as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer or by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be registered upon the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except as provided in Section 6.06.

6.02. Facsimile Signature and Seal. The seal of the corporation on any certificates for shares may be a facsimile. The signatures of the President or Vice President and the Treasurer or Assistant Treasurer or the Secretary or an Assistant Secretary upon a certificate may be facsimiles if the certificate is manually countersigned (a) by a transfer agent other than the corporation or its employee, or (b) by a registrar other than the corporation or its employee.

6.03. Signature by Former Officers. The validity of a share certificate is not affected if a person who signed the certificate (either manually or in facsimile) no longer holds office when the certificate is issued. If any officer, who has signed or whose facsimile signature has been placed upon any certificate for shares, has ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issue.

6.04. Transfer of Shares. Prior to due presentment of a certificate for shares for registration of transfer the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner. Where a certificate for shares is presented to the corporation with a request to register for transfer, the corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on the certificate the necessary endorsements, and (b) the corporation had no duty to inquire into adverse claims or has discharged any such duty. The corporation may require reasonable assurance that such endorsements are genuine and effective and compliance with such other regulations as may be prescribed under the authority of the Board of Directors.

6.05. Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the corporation upon the transfer of such shares.

6.06. Lost, Destroyed or Stolen Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the person requesting such new certificate or certificates, or his or her legal representative, to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

6.07. Consideration for Shares. The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed or other securities of the corporation. Before the corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for the shares to be issued is adequate. The determination of the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. The corporation may place in escrow shares issued in whole or in part for a contract for future services or benefits, a promissory note, or other property to be issued in the future, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respects of the shares against their purchase price, until the services are performed, the benefits or property are received or the promissory note is paid. If the services are not performed, the benefits or property are not received or the promissory note is not paid, the corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

6.08. Stock Regulations. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation.

ARTICLE VII. SEAL

7.01. The Board of Directions shall provide a corporate seal for the corporation which shall be circular in form and shall have inscribed thereon the name of the corporation, and the state of incorporation and the words, "Corporate Seal."

ARTICLE VIII. INDEMNIFICATION

8.01. Certain Definitions. All capitalized terms used in this Article VIII and not otherwise hereinafter defined in this Section 8.01 shall have the meaning set forth in Section 180.0850 of the Statute. The following terms (including any plural forms thereof) used in this Article VIII shall be defined as follows:

(a) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.

(b) "Authority" shall mean the entity selected by the Director or Officer to determine his or her right to indemnification pursuant to Section 8.04.

(c) "Board" shall mean the entire then elected and serving Board of Directors of the Corporation, including all members thereof who are Parties to the subject Proceeding or any related Proceeding.

(d) "Breach of Duty" shall mean the Director or Officer breached or failed to perform his or her duties to the Corporation and his or her breach of or failure to perform those duties is determined, in accordance with Section 8.04, to constitute misconduct under Section 180.0851 (2) (a) 1, 2, 3 or 4 of the Statute.

(e) "Corporation," as used herein and as defined in the Statute and incorporated by reference into the definitions of certain other capitalized terms used herein, shall mean this Corporation, including, without limitation, any successor corporation or entity to this Corporation by way of merger, consolidation or acquisition of all or substantially all of the capital stock or assets of this Corporation.

(f) "Director or Officer" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, it shall be conclusively presumed that any Director or Officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an Affiliate shall be so serving at the request of the Corporation.

(g) "Disinterested Quorum" shall mean a quorum of the Board who are not Parties to the subject Proceeding or any related Proceeding.

(h) "Party" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, the term "Party" shall also include any Director or Officer or employee who is or was a witness in a Proceeding at a time when he or she has not otherwise been formally named a Party thereto.

(i) "Proceeding" shall have the meaning set forth in the Statute; provided, that, in accordance with Section 180.0859 of the Statute and for purposes of this Article VIII, the term "Proceeding" shall also include all Proceedings (i) brought under (in whole or in part) the

Securities Act of 1933, as amended, the Exchange Act, their respective state counterparts, and/or any rule or regulation promulgated under any of the foregoing; (ii) brought before an Authority or otherwise to enforce rights hereunder; (iii) any appeal from a Proceeding; and (iv) any Proceeding in which the Director or Officer is a plaintiff or petitioner because he or she is a Director or Officer; provided, however, that any such Proceeding under this subsection (iv) must be authorized by a majority vote of a Disinterested Quorum.

(j) "Statute" shall mean Sections 180.0850 through 180.0859, inclusive, of the Wisconsin Business Corporation Law as the same shall then be in effect, including any amendments thereto, but, in the case of any such amendment, only to the extent such amendment permits or requires the Corporation to provide broader indemnification rights than the Statute permitted or required the Corporation to provide prior to such amendment.

8.02 Mandatory Indemnification. To the fullest extent permitted or required by the Statute, the Corporation shall indemnify a Director or Officer against all Liabilities incurred by or on behalf of such Director or Officer in connection with a Proceeding in which the Director or Officer is a Party because he or she is a Director or Officer.

8.03. Procedural Requirements.

(a) A Director or Officer who seeks indemnification under Section 8.02 shall make a written request therefor to the Corporation. Subject to Section 8.03 (b), within 60 days of the Corporation's receipt of such request, the Corporation shall pay or reimburse the Director or Officer for the entire amount of Liabilities incurred by the Director or Officer in connection with the subject Proceeding (net of any Expenses previously advanced pursuant to Section 8.05).

(b) No indemnification shall be required to be paid by the Corporation pursuant to Section 8.02 if, within such 120-day period, (i) a Disinterested Quorum, by a majority vote thereof, determines that the Director or Officer requesting indemnification engaged in misconduct constituting a Breach of Duty of (ii) a Disinterested Quorum cannot be obtained.

(c) In either case of nonpayment pursuant to Section 8.03(b), the Board shall immediately authorize by resolution that an Authority, as provided in Section 8.04, determine whether the Director's or Officer's conduct constituted a Breach of Duty and, therefore, whether indemnification should be denied hereunder.

(d) (i) If the Board does not authorize an Authority to determine the Director's or Officer's right to indemnification hereunder within such 120-day period and/or (ii) if indemnification of the requested amount of Liabilities is paid by the Corporation, then it shall be conclusively presumed for all purposes that a Disinterested Quorum has affirmatively determined that the Director or Officer did not engage in misconduct constituting a Breach of Duty and, in the case of subsection (i) above (but not subsection (ii)), indemnification by the Corporation of the requested amount of Liabilities shall be paid to the Director or Officer immediately.

8.04. Determination of Indemnification.

(a) If the Board authorizes an Authority to determine a Director's or Officer's right to indemnification pursuant to Section 8.03, then the Director or Officer requesting indemnification shall have the absolute discretionary authority to select one of the following as such Authority:

(i) An independent legal counsel; provided, that such counsel shall be mutually selected by such Director or Officer and by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board; or

(ii) A panel of three arbitrators selected from the panels of arbitrators of the American Arbitration Association in Milwaukee, Wisconsin; provided, that (A) one arbitrator shall be selected by such Director or Officer, the second arbitrator shall be selected by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board, and the third arbitrator shall be selected by the two previously selected arbitrators, and (B) in all other respects, such panel shall be governed by the American Arbitration Association's then existing Commercial Arbitration Rules.

(b) In any such determination by the selected Authority there shall exist a rebuttable presumption that the Director's or Officer's conduct did not constitute a Breach of Duty and that indemnification against the requested amount of Liabilities is required. The burden of rebutting such a presumption by clear and convincing evidence shall be on the Corporation or such other party asserting that such indemnification should not be allowed.

(c) The Authority shall make its determination within 60 days of being selected and shall submit a written opinion of its conclusion simultaneously to both the Corporation and the Director or Officer.

(d) If the Authority determines that indemnification is required hereunder, the Corporation shall pay the entire requested amount of Liabilities (net of any Expenses previously advanced pursuant to Section 8.05), including interest thereon at a reasonable rate, as determined by the Authority, within 10 days of receipt of the Authority's opinion; provided, that, if it is determined by the Authority that a Director or Officer is entitled to indemnification against Liabilities' incurred in connection with some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Corporation shall be required to pay (as set forth above) only the amount of such requested Liabilities as the Authority shall deem appropriate in light of all of the circumstances of such Proceeding.

(e) The determination by the Authority that indemnification is required hereunder shall be binding upon the Corporation regardless of any prior determination that the Director or Officer engaged in a Breach of Duty.

(f) All Expenses incurred in the determination process under this Section 8.04 by either the Corporation or the Director or Officer, including, without limitation, all Expenses of the selected Authority, shall be paid by the Corporation.

8.05. Mandatory Allowance of Expenses.

(a) The Corporation shall pay or reimburse from time to time or at any time, within 10 days after the receipt of the Director's or Officer's written request therefor, the reasonable Expenses of the Director or Officer as such Expenses are incurred; provided, the following conditions are satisfied:

(i) The Director or Officer furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and

(ii) The Director or Officer furnishes to the Corporation an unsecured executed written agreement to repay any advances made under this Section 8.05 if it is ultimately determined by an Authority that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to Section 8.04.

(b) If the Director or Officer must repay any previously advanced Expenses pursuant to this Section 8.05, such Director or Officer shall not be required to pay interest on such amounts.

8.06. Indemnification and Allowance of Expenses of Certain Others.

(a) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify a director or officer of an Affiliate (who is not otherwise serving as a Director or Officer) against all Liabilities, and shall advance the reasonable Expenses, incurred by such director or officer in a Proceeding to the same extent hereunder as if such director or officer incurred such Liabilities because he or she was a Director or Officer, if such director or officer is a Party thereto because he or she is or was a director or officer of the Affiliate.

(b) The Corporation shall indemnify an employee who is not a Director or Officer, to the extent he or she has been successful on the merits or otherwise in defense of a Proceeding, for all Expenses incurred in the Proceeding if the employee was a Party because he or she was an employee of the Corporation.

(c) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify (to the extent not otherwise provided in Section 8.06(b) hereof) against Liabilities incurred by, and/or provide for the allowance of reasonable Expenses of, an employee or authorized agent of the Corporation acting within the scope of his or her duties as such and who is not otherwise a Director or Officer.

8.07. Insurance. The Corporation may purchase and maintain insurance on behalf of a Director or Officer or any individual who is or was an employee or authorized agent of the Corporation against any Liability asserted against or incurred by such individual in his or her capacity as such or arising from his or her status as such, regardless of whether the Corporation is required or permitted to indemnify against any such Liability under this Article VIII.

8.08. Severability. If any provision of this Article VIII shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article VIII contravene public policy, this Article VIII shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed by or on behalf of the Corporation, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable; it being understood that it is the Corporation's intention to provide the Directors and Officers with the broadest possible protection against personal liability allowable under the Statute.

8.09. Nonexclusively of Article VIII. The rights of a Director, Officer or employee (or any other person) granted under this Article VIII shall not be deemed exclusive of any other rights to indemnification against Liabilities or allowance of Expenses which the Director, Officer or employee (or such other person) may be entitled to under any written agreement, Board resolution, vote of shareholders of the Corporation or otherwise, including, without limitation, under the Statute. Nothing contained in this Article VIII shall be deemed to limit the Corporation's obligations to indemnify against Liabilities or allow Expenses to a Director, Officer or employee under the Statute.

8.10. Contractual Nature of Article VIII; Repeal or Limitation of Rights. This Article VIII shall be deemed to be a contract between the Corporation and each Director, Officer and employee of the Corporation and any repeal or other limitation of this Article VIII or any repeal or limitation of the Statute or any other applicable law shall not limit any rights of indemnification against Liabilities or allowance of Expenses then existing or arising out of events, acts or omissions occurring prior to such repeal or limitation, including, without limitation, the right to indemnification against Liabilities or allowance of Expenses for Proceedings commenced after such repeal or limitation to enforce this Article VIII with regard to acts, omissions or events arising prior to such repeal or limitation.

ARTICLE IX. FISCAL YEAR

9.01. The fiscal year of the corporation shall be the calendar year.

ARTICLE X. AMENDMENTS

10.01. By Shareholders. Except as otherwise provided in the articles of incorporation of the corporation or these Bylaws, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the shareholders at any Annual Meeting or Special Meeting at which a quorum is in attendance.

10.02. By Directors. Except as otherwise provided in the articles of incorporation of the corporation or these Bylaws, these Bylaws may also be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at any meeting at which a quorum is in attendance; provided, however, that notice of any proposal to take any such action shall have been given to each director not less than 72 hours prior to the meeting by one of the methods set forth in Section 3.05; but no Bylaw adopted by the shareholders shall be amended, repealed or readopted by the Board of Directors unless the Bylaw so adopted so permits.

10.03. Implied Amendments. Except as otherwise provided in the articles of incorporation of the corporation or these Bylaws, any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the Bylaws then in effect but is taken or authorized by affirmative vote of not less than the number of shares or the number of directors required to amend the Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

MGIC INVESTMENT CORPORATION
1991 STOCK INCENTIVE PLAN, AS AMENDED

1. Purpose. The purpose of the MGIC Investment Corporation 1991 Stock Incentive Plan, as amended to March 6, 1997 and as proposed to be further amended in accordance with amendments adopted by the Board (as hereinafter defined) on March 6, 1997 (the "Amended Plan"), is to secure for MGIC Investment Corporation (the "Company") and its subsidiaries the benefits of the additional incentive inherent in the ownership of the Company's Common Stock, \$1.00 par value (the "Common Stock"), by certain key employees and executive officers of the Company and its subsidiaries and directors of the Company, who are important to the success and the growth of the business of the Company and to help the Company secure and retain the services of such persons. In addition to granting stock options ("Options"), the Amended Plan provides for a deposit share program ("Deposit Share Program") and for the award of Common Stock, subject to certain terms, conditions and restrictions ("Restricted Stock"). It is intended that certain of the Options issued pursuant to the Amended Plan will constitute incentive stock Options ("Incentive Stock Options") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and the remainder of the Options issued pursuant to the Amended Plan will constitute nonstatutory Options. The Options and Restricted Stock are hereinafter referred to collectively as "Awards".

2. Administration.

(a) Stock Award Committee. The Amended Plan shall be administered under the supervision of the Board of Directors of the Company (the "Board"), which shall exercise its powers, to the extent herein provided, through the agency of the Stock Award Committee (the "Committee"), which shall consist of at least two members and shall be appointed from among the members of the Board. Any member of the Committee may resign or be removed by the Board and new members may be appointed by the Board. Additionally, the Committee shall be constituted so as to satisfy at all times the outside director requirement of Code Section 162(m) and the regulations thereunder or any substitute provision therefor.

(b) Rules and Regulations. The Committee, from time to time, may adopt rules and regulations for carrying out the provisions and purposes of the Amended Plan. The interpretation and construction of any provision of the Amended Plan by the Committee shall be final, conclusive and binding on all interested parties. In order to carry out its responsibilities, the Committee may execute such documents and enter into such agreements and make all determinations deemed necessary or advisable to effectuate the purposes of the Amended Plan.

(c) Authority. The Committee shall have all the powers vested in it by the terms of the Amended Plan, such powers to include exclusive authority (subject to the terms of the Amended Plan and applicable law) to select the persons to be granted Awards under the Amended Plan, to determine the type, size and terms of Awards to be made to each person selected, to determine the time when Awards will be granted and to establish objectives and conditions for earning Awards. The Committee shall determine which Options are to be Incentive Stock Options and which are to be nonstatutory Options and shall in each case enter into a written Option agreement with the recipient thereof (an "Option Agreement") setting forth the terms and conditions of the grant and the exercise of the subject Option, as determined by the Committee in accordance with the Amended Plan. To the extent that the aggregate fair market value of Common Stock with respect to which Incentive Stock Options under the Amended Plan and any other plans of the Company or its subsidiaries are exercisable by an Employee (as hereinafter defined) for the first time during any calendar year exceeds \$100,000, such Options shall be treated as Options which are not Incentive Stock Options. To the extent the Code is amended from time to time to provide additional or different limitations on the grant of Incentive Stock Options, the foregoing limitation shall be considered to be amended accordingly. The Committee shall have full power and authority to administer and interpret the Amended Plan and to adopt such rules, regulations, agreements, guidelines and instruments for the administration of the Amended Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretation of the Amended Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it, shall be conclusive and binding on all parties concerned, including the Company, its subsidiaries, its shareholders, Participants (as defined in Section 4 below) and any employee of the Company or its subsidiaries. The Committee may delegate duties to any person or persons; provided, that, no delegation of duties is permitted with respect to (i) any grant, award or other acquisition from the Company if the person or persons to whom duties are delegated would not satisfy the standard of Rule 16b-3(d)(1) under the Securities Exchange Act of 1934, as amended, or any substitute provision therefor or the requirements of Section 162(m) of the Code and (ii) any disposition to the Company if the person or persons to whom duties are delegated would not satisfy the standard of Rule 16b-3(d)(1).

(d) Records. The Committee shall maintain a written record of its proceedings. A majority of the Committee members shall constitute a quorum for any meeting. Any determination or action of the Committee may be made or taken by a majority of the members present at any such meeting, or without a meeting by a resolution or written memorandum concurred in by all of the members then in office.

3. Stock Subject to Awards. The aggregate number of shares of Common Stock for which Awards may be granted under the Amended Plan shall not exceed 7,000,000 shares, subject to adjustment as provided in Section 8 below. If, and to the extent that, Options granted under the Amended Plan terminate or expire without having been exercised, or shares of Restricted Stock under the Amended Plan are forfeited, the shares covered by such terminated or expired Options or forfeited Restricted Stock, as the case may be, may be the subject of further grants under the Amended Plan. Restricted Stock granted under the Amended Plan and shares issued upon the exercise of any Option granted under the Amended Plan may be, at the Company's discretion, shares of authorized and unissued Common Stock, shares of issued Common Stock held in the Company's treasury or reacquired shares or any combination thereof. The foregoing notwithstanding, the maximum number of shares of Restricted Stock for which Awards may be granted is 400,000 shares.

4. Persons Eligible. Under the Amended Plan, (i) Awards may be granted to any key employee or executive officer of the Company who is an employee of the Company or its subsidiaries, including any employee who is also a member of the Board (an "Employee") and (ii) shares of Restricted Stock shall be awarded to each Non-Employee Director under the Deposit Share Program, as provided herein. "Non-Employee Director" means a member of the Board who is not an employee of the Company or of any person, directly or indirectly, controlling, controlled by or under common control with the Company and is not a member of the Board representing a holder of any class of securities of the Company. In determining the Employees to whom Awards are to be granted and the number of shares to be covered by an Award, the Committee shall take into consideration the Employee's present and potential contribution to the success of the Company and such other factors as the Committee may deem proper and relevant. An Employee receiving an Award, and a Non-Employee Director receiving shares of Restricted Stock under the Amended Plan are individually hereinafter referred to as a "Participant". In no event may Awards be granted to any one Participant for more than twenty percent (20%) of the aggregate number of shares of Common Stock for which Awards may be granted under the Amended Plan, including for this purpose Awards granted to such Participant which are subsequently cancelled, forfeited or otherwise terminated.

5. Provisions Applicable to Options.

(a) Price and Type of Options. The purchase price of each share of Common Stock under any Option granted under the Amended Plan shall be as determined by the Committee in its sole discretion, but shall not be less than the Fair Market Value thereof (determined in a manner equivalent to the determination under Section 6(e), unless in the case of Incentive Stock Options, the Code requires a different method, in which case the method required by the Code shall be followed for Incentive Stock Options) on the date of grant. The type of Option granted shall be as determined by the Committee, but any Incentive Stock Options granted shall be subject to such terms and conditions as are required for the qualification as such by the Code on the date of grant. Any Options

granted under the Amended Plan shall be clearly identified as Incentive Stock Options or nonstatutory stock Options.

(b) Exercisability of Options. The Committee shall determine when and to what extent an Option shall be vested, including continuation of vesting after retirement at a specified age and with a specified number of years of service; and may provide for Options to be vested based upon such performance related goals as the Committee in its sole discretion deems appropriate ("Performance Goals"). The Committee may, in its sole discretion, also provide that some or all Options granted shall immediately become vested or exercisable as of a date fixed by the Committee upon a change in control of the Company as defined by the Committee or in the event of a sale, lease or transfer of all or substantially all of the Company's assets, equity securities or businesses, or merger, consolidation or other business combination of the Company. The Committee may also if it so elects make any such action contingent upon consummation of the event which prompted the action.

(c) Termination of Options. The unexercised portion of any Option granted under the Amended Plan shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(i) Thirty (30) days after the termination of the Participant's employment with the Company and all subsidiaries thereof for any reason (including, without limitation, disability, or termination by the Company and all subsidiaries thereof, with or without cause) other than by reason of the Participant's death, retirement from the Company and all subsidiaries thereof after reaching age 55 and after having been employed by the Company or any subsidiary thereof for at least seven (7) years or a leave of absence approved by the Company;

(ii) (x) except as provided in (y), three hundred sixty-five (365) days after the termination of the Participant's employment with the Company and all subsidiaries thereof by reason of the Participant's death, or by reason of the Participant's retirement from the Company and all subsidiaries thereof after reaching age 55 and after having been employed by the Company or any subsidiary thereof for at least seven (7) years; or (y) in the case of such retirement, such longer period as the Committee may provide for a Participant;

(iii) Thirty (30) days after expiration or termination of a leave of absence approved by the Company unless the Participant becomes reemployed with the Company or any subsidiary prior to such 30-day period

in which event the Option shall continue in effect in accordance with its terms;

(iv) The expiration of the Option Period (as hereinafter defined); or

(v) In whole or in part, at such earlier time or upon the occurrence of such earlier event as the Committee in its discretion may have provided upon the granting of such Option.

(d) Term of Options. The term of each Option granted under the Amended Plan will be for such period (herein referred to as the "Option Period") of not less than seven (7) years and not more than ten (10) years as the Committee shall determine. With respect to Incentive Stock Options, such term may not exceed ten (10) years or such other term provided in the Code. Each Option shall be subject to earlier termination as described under "Termination of Options" in subparagraph (c) above. An Option shall be considered granted on the date the Committee acts to grant the Option or such date thereafter as the Committee shall specify.

(e) Exercise of Options. Options granted under the Amended Plan may be exercised by the Participant, as to all or part of the shares covered thereby, in accordance with the terms of such Participant's Option Agreement. A partial exercise of an Option may not be made with respect to fewer than ten (10) shares unless the shares purchased are the total number then available for purchase under the Option. A Participant shall exercise such Option by delivering ten (10) days' (or such shorter period as the Company shall permit) prior written notice of the exercise thereof on a form prescribed by the Company to the Secretary of the Company at its principal office, specifying the number of shares to be purchased. The purchase price of the shares as to which an Option shall be exercised shall be paid in full in cash or its equivalent at the time of exercise.

The Participant shall be responsible for paying all withholding taxes, if any, applicable to any Option exercise and the Company shall have the right to take any action necessary to insure that the Participant pays the required withholding taxes. Upon payment of the Option purchase price and the required withholding taxes, the Company shall cause a certificate for the shares so purchased to be delivered to the Participant.

(f) Stock Withholding. Notwithstanding the terms of subparagraph (e) above, a Participant shall be permitted to satisfy the Company's withholding tax requirements by electing to have the Company withhold shares of Common Stock otherwise issuable to the Participant or to deliver to the Company shares of Common Stock having a fair market value on the date income is recognized pursuant to the exercise of an Option equal to the amount required to be withheld. The election shall be made in writing and shall be made according to such rules and in such form as the Committee may determine.

(g) Exercise of Options following Participant's Death. If a Participant dies ("Deceased Participant") while in the employ of the Company, or during any longer period applicable to a Deceased Participant under Section 5(c)(ii)(y), and if the Deceased Participant's death occurs prior to the date the Option terminates, regardless of whether the Option is subject to exercise under the terms of the Option, such Option shall become immediately vested and exercisable by the personal representative of the Deceased Participant or the person to whom the Deceased Participant's rights under the Option would be transferred by law or applicable laws of descent and distribution. The Committee may also provide as to Options outstanding as of January 1, 1994 for a right to surrender the Option to the Company at a price equal to the difference between the aggregate Option price and the fair value of the Common Stock subject to the Option as of the Deceased Participant's death. The surrender shall also be subject to such terms and conditions as are determined by the Committee and set forth in the Option Agreement.

(h) Non-Transferability of Options. Except to the extent as may be permitted under rules established by the Committee, an Option or any right evidenced thereby shall not be transferable otherwise than by will or the laws of descent and distribution, and shall be exercisable during the Participant's lifetime only by him or by his guardian or legal representative.

(i) Rights of Participant. The Participant shall have none of the rights of a shareholder of the Company with respect to the shares subject to any Option granted under the Amended Plan until a certificate or certificates for such shares shall have been issued upon the exercise of any Option.

6. Restricted Stock Awards. The Committee may make awards of Restricted Stock ("Restricted Stock Awards") to Participants who are Employees, and shall make Awards to Non-Employee Directors, subject to the provisions of this Section 6.

(a) Restricted Stock Agreements. Restricted Stock Awards shall be evidenced by Restricted Stock agreements ("Restricted Stock Agreements") which shall conform to the requirements of the Amended Plan and may contain such other provisions (such as provisions for the protection of Restricted Stock in the event of mergers, consolidations, dissolutions and liquidations affecting either the Restricted Stock Agreement or the Common Stock issued thereunder) as the Committee shall deem advisable.

(b) Payment of Restricted Stock Awards. Restricted Stock Awards shall be made by delivering to the Participant or an Escrow Agent (as defined below) a certificate or certificates for such shares of Restricted Stock of the Company, as determined by the Committee ("Restricted Shares"), which Restricted Shares shall be registered in the name of such Participant. The Participant shall have all of the rights of a holder of Common

Stock with respect to such Restricted Shares except as to such restrictions as appear on the face of the certificate. The Committee may designate the Company or one or more of its employees to act as custodian or escrow agent for the certificates ("Escrow Agent").

(c) Terms, Conditions and Restrictions. Restricted Shares shall be subject to such terms and conditions, including vesting and forfeiture provisions, if any, and to such restrictions against resale, transfer or other disposition as may be provided in this Amended Plan and, consistent therewith, as may be determined by the Committee at such time as it grants a Restricted Stock Award to a Participant. Any new or different Restricted Shares or other securities resulting from any adjustment of such Restricted Shares pursuant to Section 8 hereof shall be subject to the same terms, conditions and restrictions as the Restricted Shares prior to such adjustment. The Committee may in its discretion, remove, modify or accelerate the release of restrictions on any Restricted Shares as it deems appropriate. In the event of the Participant's death, all transfers or other restrictions to which the Participant's Restricted Shares are subject shall immediately lapse, and the Deceased Participant's legal representative or person receiving such Restricted Shares under the Deceased Participant's will or under the laws of descent and distribution shall take such Restricted Shares free of any such transfer or other restrictions.

(d) Dividends and Voting Rights. Except as otherwise provided by the Committee, during the restricted period the Participant shall have the right to receive dividends from and to vote the Participant's Restricted Shares.

(e) Deposit Share Program. Subject to the provisions set forth below and subject to rules established by the Committee, pursuant to the Company's Deposit Share Program, (1) Employees may elect to acquire shares of Common Stock with a Fair Market Value up to a percentage designated by the Committee of cash bonuses under the Company's incentive compensation programs designated by the Committee, and (2) Non-Employee Directors shall be entitled to acquire shares of Common Stock with a Fair Market Value equal to up to 100% of the compensation of such Non-Employee Director for service as a director of the Company, including for service as a member of a Committee of the Board, during the preceding calendar year (in each case, "Deposit Shares"). Deposit Shares shall be issued in an amount which the Deposit Share Participant (as defined in Section 6(e)(i) below) elects to use to acquire Common Stock (subject to limits provided in this Section 6(e)) divided by the Fair Market Value of a share of Common Stock on the Award Date (as defined in Section 6(e)(ii) below). For purposes hereof, the term "Fair Market Value" shall be as determined by the Committee, except that during any period the Common Stock is traded on a recognized exchange, Fair Market Value shall be based upon the last sales price of Common Stock on the principal securities exchange on which the same is traded on the Award Date or if no sales of Common Stock have taken place on such date, the last sales price on the first date

following the Award Date on which sales occur. Deposit Share Participants electing to deposit Deposit Shares with the Company under the Deposit Share Program and receive Restricted Stock Awards in connection therewith shall do so as follows:

(i) The Committee shall notify each Participant who is an Employee selected to participate in the Deposit Share Program and each Non-Employee Director (such Employees and Non-Employee Directors together referred to as "Deposit Share Participants") of the maximum amount which they are permitted to use to acquire Common Stock to be deposited with the Escrow Agent, and Deposit Share Participants may choose to deposit any number of Deposit Shares they are permitted to deposit under the Committee rules (Deposit Shares so acquired and deposited are herein sometimes referred to as the "Original Deposit").

(ii) Deposit Share Participants must make their irrevocable election on or before the date designated by the Committee or if no date is designated, then at least thirty (30) days prior to the Award Date. The Award Date ("Award Date") for each year in which a Deposit Share Participant is eligible to receive Deposit Shares shall be February 15, or the Monday following February 15 in any year in which February 15 falls on a Saturday or Sunday, unless the Committee designates a different Award Date. The Award Date for Employees and Non-Employee Directors need not be the same. The Committee shall have the discretion to waive any date or deadline established pursuant to this section. The Committee may also allow a Deposit Share Participant who is an Employee to acquire Deposit Shares in lieu of a bonus, or to deliver a check equal to the dollar amount of bonuses for which the Deposit Share Participant may purchase Deposit Shares, in which case the full amount of the cash bonus (less applicable withholding) will be paid to the Employee and the Employee shall deliver a check to the Company, subject to the limitations established by the Committee.

(iii) All elections shall be in writing and filed with the Committee or its designee. Such elections may, if permitted by the Committee, also specify one of the following alternatives regarding the manner in which dividends are paid on all deposited stock (including Deposit Shares, shares purchased with dividends, if any, and matching Restricted Shares (but only if the Committee allows dividends on such Restricted Shares to be paid and credited)):

(1) Dividends shall be accumulated by the Escrow Agent for the purchase of additional shares for the Deposit Share Participant's account; or

(2) Dividends shall be paid currently to the Deposit Share Participant.

A Deposit Share Participant shall be deemed to have elected Alternative (1) unless or until the Deposit Share Participant delivers written notice to the Company selecting Alternative (2) as the method by which dividends are to be paid and credited.

(iv) As soon as practicable following an Original Deposit, the Company shall match the Deposit Shares deposited with the Escrow Agent for the Deposit Share Participant's account by depositing (1) for an Employee, up to one (1) Restricted Share for each Deposit Share in the Original Deposit, as determined by the Committee, and (2) for a Non-Employee Director, one and one-half (1-1/2) Restricted Share for each Deposit Share in the Original Deposit. Restricted Shares shall be distributed to the Deposit Share Participant entitled thereto as promptly as practicable after they vest.

(v) With respect to Employees, the Restricted Shares deposited by the Company shall vest in accordance with the schedule determined by the Committee. With respect to Non-Employee Directors, the Restricted Shares shall vest on the third anniversary of the date of the Award. Awards of Restricted Stock that are not vested shall be forfeited upon the Non-Employee Director ceasing to be a director of the Company for any reason, except in the case of death, as hereinafter provided in Section 6 (e) (ix), except in the case of a Permissible Event (as hereinafter defined) or except as otherwise provided by the Committee. If a Non-Employee Director ceases to be a director by reason of a Permissible Event, the Restricted Shares shall continue to vest during the balance of the three-year vesting period if (1) no later than the date on which the Non-Employee Director ceases to be a director of the Company, the Non-Employee Director enters into an agreement approved by the Committee under which the Non-Employee Director agrees not to compete with the Company or its subsidiaries during the balance of such period and (2) the Non-Employee Director complies with the agreement. Any Restricted Shares that do not vest by reason of a Permissible Event shall be forfeited unless otherwise provided by the Committee. A Permissible Event shall be any termination of service as a director of the Company by reason of:

(1) the Non-Employee Director being ineligible for continued service as a director of the Company under the Company's retirement policy; or

(2) the Non-Employee Director's taking a position with or providing services to a governmental, charitable or educational institution whose policies prohibit continued service on the Board or due to the fact that continued service as a director would be a violation of law.

The Company may, in its sole discretion, provide that some or all Restricted Stock shall immediately become vested in the circumstances with respect to immediate vesting of Options contemplated by Section 5(b).

(vi) Shares purchased with dividends paid on deposited stock (Original Deposit, Restricted Stock or any shares purchased with dividends) may be withdrawn from a Deposit Share Participant's account at any time.

(vii) A Deposit Share Participant's interests in the Original Deposit or the Restricted Stock may not be sold, pledged, assigned or transferred in any manner, other than by will or the laws of descent and distribution, so long as such shares are held by the Escrow Agent, and any such sale, pledge, assignment or other transfer shall be null and void; provided, however, a pledge of the Deposit Share Participant's interest in the Original Deposit or a transfer of such Participant's interest in the Original Deposit (any permitted transfer not being considered a withdrawal of the Original Deposit) or in the Restricted Stock may be permitted in accordance with rules which the Committee may establish. To the extent Restricted Shares become vested, at the same time as Restricted Shares are released by the Escrow Agent, the Escrow Agent shall also release a percentage (computed to the nearest whole percent) of the Original Deposit equal to the number of Restricted Shares then being released, divided by the number of Restricted Shares deposited by the Company with respect to the Original Deposit.

(viii) Any or all of the Original Deposit may be withdrawn at any time. Such withdrawal shall cause a forfeiture of any non-vested Restricted Shares attributable to the Deposit Shares being withdrawn. Any Deposit Shares withdrawn shall be deemed to have been withdrawn under Section 6(e)(vi) to the extent there are any such shares, and then under this Section 6(e)(viii).

(ix) In the event the employment with the Company or its subsidiaries of a Deposit Share Participant who is an Employee is terminated during the vesting period by reason of the Deposit Share Participant's death, the vesting requirements shall be deemed fulfilled upon the date of such termination of employment. In the event a Non-Employee Director's service as a director of the Company is terminated during the vesting period by reason of the Non-Employee Director's death, the vesting requirements shall be deemed to be fulfilled on the date of such termination of service.

(x) In the event the employment with the Company and its subsidiaries of a Deposit Share Participant who is an Employee is terminated during the vesting period for any reason other than death, the Restricted Shares, to the extent not otherwise vested, shall automatically be forfeited and returned to the Company

unless the Committee shall, in its sole discretion, otherwise provide.

(xi) At the request of a Non-Employee Director who has during the preceding calendar year elected to defer compensation described in the first sentence of Section 6(e) into Phantom Stock (as defined below), the amount that would otherwise be deposited shall be reduced by the amount specified by such Director up to the amount of compensation so deferred (the "Reduction Amount"). For purposes of determining the number of shares of Restricted Stock to be matched for such a Director under Section 6(e)(iv), the Original Deposit shall be deemed to be equal to the sum of the amount, if any, actually deposited plus the Reduction Amount, divided by the Fair Market Value. For all other purposes of Section 6(e), (A) in the case of a Non-Employee Director who makes an actual deposit and also has a Reduction Amount, the Original Deposit shall be determined only with respect to the amount actually deposited, and (B) a Non-Employee Director who makes no actual deposit shall be deemed to have no Original Deposit. "Phantom Stock" means a phantom stock account with respect to shares of Common Stock under a deferred compensation plan of the Company that provides that no distribution or transfer may be made from such account during the vesting period applicable to the Non-Employee Director under Section 6(e)(v) above other than a distribution arising from the Non-Employee Director ceasing to be a director of the Company.

7. Right to Terminate Employment. Nothing in the Amended Plan or in any Award granted under the Amended Plan to a Participant who is an Employee shall confer upon any such Participant the right to continue in the employment of the Company or affect the right of the Company to terminate such a Participant's employment at any time, nor cause any Award granted to become exercisable as a result of the election by the Company of its right to terminate at any time the employment of such a Participant subject, however, to the provisions of any agreement of employment between the Company and such Participant. Nothing in the Amended Plan or in any Award of Restricted Stock under the Amended Plan to a Participant who is a Non-Employee Director shall confer upon such Director the right to continue as a member of the Board.

8. Dilution and Other Adjustments. In the event of any change in the outstanding shares of the Company ("capital adjustment") for any reason including, but not limited to, any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event, an adjustment in the number or kind of shares of Common Stock subject to, the Option price per share under, and (if appropriate) the terms and conditions of, any outstanding Award, shall be modified or provided for by the Committee in a manner consistent with such capital adjustment, and the shares reserved for issuance under this Amended Plan shall likewise be modified. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of the Amended Plan.

9. Form of Agreements with Participants. Each Option Agreement and/or Restricted Stock Agreement to be executed by a Participant shall be in such form as the Committee shall in its discretion determine.

10. Legend on Certificates; Restrictions on Transfer. The Company may, to the extent deemed necessary or advisable, endorse an appropriate legend referring to any restrictions imposed by state law or the Securities Act of 1933, as amended, upon the certificate or certificates representing any shares issued or transferred to the Participant pursuant to Awards.

11. Securities Act Compliance. Notwithstanding any provision of the Amended Plan to the contrary, the Committee shall take whatever action it may consider necessary or appropriate to comply with the Securities Act of 1933, as amended, or any other then applicable securities law, including limiting the granting and exercise of Options or the issuance of shares thereunder.

12. Amendment, Expiration and Termination of the Amended Plan. Under the Amended Plan, Awards may be granted at any time and from time to time before the tenth anniversary date of adoption of amendments to this Plan by the Company's Board of Directors on January 27, 1994 (the date on which this Plan was last previously amended) at which time the Amended Plan will expire, except as to Awards then outstanding. The foregoing notwithstanding, no Incentive Stock Options may be granted after January 1, 2001. The Amended Plan will remain in effect with respect to outstanding Awards until such Awards have been exercised or have expired, as the case may be. The Amended Plan may be terminated or modified at any time by the Board of Directors before the expiration of the Amended Plan, except with respect to any Awards then outstanding under the Amended Plan, provided that any increase in the maximum number of shares subject to Awards specified in Section 3 or in Section 4 hereof shall be subject to the approval of the Company's shareholders unless made pursuant to the provisions of Section 8 hereof. No amendment of the Amended Plan shall adversely affect any right of any Participant with respect to any Award theretofore granted under the Amended Plan.

13. Effective Date. If the Amended Plan is not approved by the Company's shareholders prior to September 1, 1997, the MGIC Investment Corporation 1991 Stock Incentive Plan as in effect immediately prior to March 6, 1997 shall remain in effect and shall not be deemed to have been amended.

14. Governing Law. The Amended Plan and any Option Agreement and/or Restricted Stock Agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Wisconsin.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the first day of January, 2000 by and between WILLIAM H. LACY, an individual currently residing at 1797 Shalom Drive, West Bend, Wisconsin 53095 (hereinafter referred to as "Lacy"), on behalf of himself and his agents, representatives, heirs, executors, attorneys, administrators, successors and assigns; and MORTGAGE GUARANTY INSURANCE CORPORATION, a stock insurance company organized and existing under the laws of the State of Wisconsin, with its principal administrative offices located at 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (hereinafter referred to as the "Company").

WITNESSETH:

WHEREAS, Lacy was employed by the Company as its Chairman until December 31, 1999; and in connection with Lacy's retirement as an officer of the Company and its affiliates, which was effective as of the close of business on December 31, 1999, Lacy and the Company desire to continue the employment of Lacy as Special Advisor until January 31, 2005, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lacy and the Company hereby agree as follows:

1. Confirmation of Officer Retirement; Continuation of Employment. Lacy hereby confirms that he has retired from and resigned his officer positions with the Company and all parent, subsidiary, and affiliated corporations, effective as of the close of the Company's business on December 31, 1999 (the "Offices Retirement Date"). Lacy's retirement as an officer shall not be deemed to be a termination of employment, and Lacy shall continue his employment with the Company hereunder and shall provide advice and counsel to the Company's senior management regarding the Company's operations and such other services to the Company commensurate with Lacy's prior position and status, substantially on a full-time basis consistent with Lacy's past practice, in each case, to the extent requested by the Chief Executive Officer or a person designated by him, for a period ending at the close of business on January 31, 2005. Lacy agrees that he has no right to continue his employment after January 31, 2005. To the extent feasible, Lacy will be entitled to perform the services required hereby from his home.

2. Base Salary. Subject to the terms and conditions of this Agreement, following the Offices Retirement Date, the Company shall pay Lacy as follows:

(a) Base Salary. Beginning on January 1, 2000, the Company shall pay Lacy a base salary at an annualized rate of \$500,000.00 ("Base Salary") until the earlier of: (i)

termination of Lacy's employment with the Company pursuant to Section 9 below, or (ii) January 31, 2005, at which time the Company shall stop making such payments.

(b) Amount and Timing of Payments. All Base Salary payments will be paid in bi-weekly installments on such dates as the Company generally pays its other employees. The first and last such installments will be prorated if the installment period is less than two full weeks.

(c) Deductions. The Company will deduct from all Base Salary payments all legally required payroll deductions, including but not limited to federal and state income tax and FICA withholding, as well as all other customary deductions elected by Lacy.

3. Pension Plan. During the period in which Base Salary payments are made to Lacy, he will participate in the Company's pension plan and Supplemental Executive Retirement Program ("SERP") as an employee of the Company.

4. Profit Sharing Plan. Lacy will be entitled to participate in the Company's profit sharing plan for each year during the period in which Base Salary payments are made, provided he remains eligible to receive Base Salary payments as of December 31st of such year. Lacy's participation in the Company's profit sharing plan for each such year shall be to the same extent as, and subject to the same terms and conditions that apply to, other active full time employees of the Company, provided Lacy has complied with all of the terms and conditions of Sections 7 and 8 below. The Company's profit sharing contribution to Lacy for such year will be based solely upon the eligible compensation received by Lacy from the Company during such year. Lacy also acknowledges and agrees that he will not be entitled to receive any profit sharing contributions for any calendar year after 2004.

5. Insurance. During the period in which Base Salary payments are made to Lacy, he will be eligible to participate in the Company's group health and dental insurance plans, as well as the Company's long term disability insurance plan. During such period, the Company will provide such insurance benefits to Lacy on the same basis it provides these benefits to all other Company employees, including, but not limited to, those terms and conditions of the plans requiring the payment by the employee of the employee's portion of insurance premiums. During such period, the Company also shall continue to pay the Company's portion of the premium for Lacy's split-dollar life insurance coverage and supplementary long-term disability insurance coverage for the calendar years of 2000 through 2004, inclusive. (No split-dollar life insurance coverage or supplementary long-term disability insurance coverage will be purchased by the Company for Lacy for any period after 2004.) To the extent the Company's long-term disability insurance plan, as in effect on January 31, 2005,

provides a feature allowing a terminating Company employee to convert coverage under the plan to an individual policy, the Company will take no action to impair Lacy's ability to exercise any right he may have under the plan to elect such conversion, provided, however, that any such conversion shall be at Lacy's sole option, cost and expense.

6. No Other Compensation or Benefits. Lacy acknowledges and agrees that, except as is specifically provided for in this Agreement and any written stock option agreements he may have previously entered into with MGIC Investment Corporation, he will not be entitled to receive from the Company (or any of its parent or affiliated corporations) any salary, wages, bonuses (except to the extent a bonus is awarded to him with respect to the year ended December 31, 1999), contributions, insurance, stock option rights, or other benefits or compensation of any kind, whatsoever. Without limiting the generality of the foregoing, Lacy acknowledges and agrees that he will not be entitled to receive any severance compensation or other bonuses, incentive payments, or similar payments at any time after the date of this Agreement, except as otherwise expressly set forth herein.

7. Return of Confidential Information. On or prior to January 31, 2005 (or if this Agreement is earlier terminated or the Company so requests in writing, as promptly as practicable thereafter), Lacy shall return to the Company all written or otherwise tangible MGIC Confidential Information in his possession or subject to his control. For purposes of this Agreement, MGIC Confidential Information shall include, without limitation, all business information and records that relate to the Company or any of its direct or indirect parent, subsidiary or affiliated companies, which are not known to the public generally. MGIC Confidential Information shall include, without limitation, all originals and all full or partial copies of any written or electronically captured materials received (from the Company or any third party), sent, reviewed, developed or prepared by Lacy during the course of his employment with the Company, all financial statements and other accounting or financial information, customer lists, customer profiles, customer buying records, sales records, market surveys, marketing plans and information, short-term and long-range business plans, compensation and benefit information, supplier lists, claims information, risk management information, underwriting information, product information, business methods and operations, research, studies, reports, manuals, correspondence, memoranda, forms, systems, procedures, and computer records and software, of whatever nature, regardless of form. During the term of Lacy's employment with the Company and for a period of three (3) years thereafter, Lacy will not retain, disclose or deliver to any third person any MGIC Confidential Information.

8. Compliance with Terms of Non-Compete Agreements. In consideration of various stock options and/or other consideration previously granted to Lacy by MGIC Investment Corporation or the Company, Lacy executed numerous non-compete agreements for the benefit of MGIC Investment Corporation and/or the Company, including, but not necessarily limited to an Agreement Not to Compete dated February 14, 1990, an Agreement Not to Compete dated May 29, 1991, an Agreement Not to Compete dated March 3, 1994, an Agreement Not to Compete dated February 19, 1997, and an Agreement Not to Compete dated May 29, 1991 (the "Non-Compete Agreements"). Lacy agrees to comply with the terms of the Non-Compete Agreements and agrees that both MGIC Investment Corporation and the Company shall be entitled to enforce the terms and conditions of the Non-Compete Agreements.

9. Termination. Lacy's employment with the Company will automatically terminate on January 31, 2005, without any further action or notice by the Company, unless (i) terminated earlier pursuant to the terms and conditions hereof, (ii) Lacy earlier terminates such employment in writing, which he may do in his sole discretion or (iii) Lacy dies, in which event Lacy's employment will terminate on the date of Lacy's death. The Company shall not terminate Lacy's employment prior to January 31, 2005, except upon the following terms and conditions:

(a) Breach of Any Non-Compete Agreement. The Company may immediately terminate Lacy's employment upon written notice to Lacy if Lacy breaches any one or more of the Non-Compete Agreements described in Section 8 above.

(b) Breach of this Agreement. The Company may immediately terminate Lacy's employment upon written notice to Lacy if Lacy materially breaches the agreements of Lacy set forth in Sections 1 or 7 (last sentence) above.

Lacy acknowledges and agrees that termination of Lacy's employment for a breach referred to in Sections 9(a) or (b) above is in addition to, and not in lieu of, all other remedies available to the Company or MGIC Investment Corporation under applicable law or in equity arising from such breach.

10. Severability. If any term or provision of this Agreement, or the application thereof, shall to any extent be invalid or unenforceable, and the intent of the parties hereto in entering into this Agreement is not materially frustrated or negated thereby, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and shall be enforced to the full extent permitted by law.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that no assignment or other transfer of any rights or obligations under this Agreement shall be effective without the prior, express written consent of the other party hereto.

12. Title and Headings. The title and section headings of this Agreement have been inserted for convenience of reference only, shall not be deemed to be a part of this Agreement, and shall not be construed to limit, expand, or otherwise modify the effect of any provision of this Agreement.

13. No Assignment. This Agreement may not be assigned by either party without the prior, express, written consent of the other party hereto.

14. Governing Law. This Agreement shall be governed by, construed and interpreted under the internal laws of the State of Wisconsin, without reference to such State's conflict of laws principles.

15. Notices. Except as otherwise expressly provided herein, any notice, demand, or other communication which either party desires or is required to give to the other party in connection with this Agreement shall be in writing and shall be either served personally, sent by Federal Express overnight courier service, or sent by prepaid United States mail (certified with return receipt requested), addressed to the other party as follows:

To Lacy: William H. Lacy
1797 Shalom Drive
West Bend, Wisconsin 53095

To Company: Mortgage Guaranty Insurance Corporation
250 East Kilbourn Avenue
Milwaukee, Wisconsin 53202
Attention: Chief Executive Officer

With a copy to:

Mortgage Guaranty Insurance Corporation
250 East Kilbourn Avenue
Milwaukee, Wisconsin 53202
Attention: General Counsel and Vice President-Human Resources

Such notice shall be deemed given upon such personal delivery, courier delivery, or mailing. Either party may at anytime change its address for notice purposes hereunder by providing the other party with written notice, as provided herein, of the new address.

16. Waiver. Failure or delay by any party to enforce compliance with any term or condition of this Agreement shall not constitute a waiver of such term or condition. A waiver of any breach or default under this Agreement shall not constitute a waiver of any subsequent breach or default.

17. Amendments. No modification or amendment of this Agreement shall be binding unless in writing and signed by the party sought to be bound.

18. Entire Agreement. Each of the parties hereby acknowledges that it has read this Agreement and understands and agrees to be bound by its terms and conditions. This Agreement and is the complete and exclusive statement of the agreement between the parties hereto which supersedes all prior agreements, offers, proposals, understandings and other communications between the parties hereto, oral or written, regarding the terms of

Lacy's retirement as an officer of the Company and MGIC Investment Corporation and the terms on which Lacy's employment will continue and may be terminated hereafter, and no other agreement concerning such subject matter shall be binding upon the Company unless in writing and signed by an authorized officer of the Company.

IN WITNESS WHEREOF, Lacy and the Company have executed this Agreement as of the date first set forth above.

WILLIAM H. LACY

MORTGAGE GUARANTY INSURANCE
CORPORATION

By: _____
Curt S. Culver
Chief Executive Officer

MGIC INVESTMENT CORPORATION
STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of January 26, 2000, between MGIC Investment Corporation, a Wisconsin corporation (the "Company") and the key employee or executive officer of the Company or a subsidiary thereof whose name is set forth on the signature page hereof (the "Employee").

WHEREAS, the Company is of the opinion that its interests will be advanced by encouraging and enabling key employees and executive officers of the Company and its subsidiaries to acquire Common Stock, par value \$1.00 per share of the Company ("Common Stock"), through stock options and believes that the granting of such options will stimulate the efforts of the key employees and executive officers, strengthen their desire to remain in the employ of the Company and its subsidiaries or affiliates, provide them with a more direct interest in its welfare, and to that end the Company duly adopted the MGIC Investment Corporation 1991 Stock Incentive Plan, as amended (herein called the "Amended Plan") attached hereto as Exhibit A; and

WHEREAS, the Board of Directors acting through the Committee (or a subcommittee thereof) has determined that it is in furtherance of the objective of the Plan, and in the best interests of the Company, to grant a stock option to the Employee to purchase the number of shares of Common Stock hereinafter set forth;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, and other good and valuable consideration, the parties hereto agree as follows:

1. The Company hereby grants to the Employee, as a matter of incentive and to encourage stock ownership in the Company, the right and option (the "Stock Option") to purchase from the Company, on the terms and conditions hereinafter set forth, the number of shares of Common Stock set forth on the signature page hereof (the "Option Shares"), at a purchase price of \$_____ per share (the "Option Price") and exercisable as hereinafter stated; provided, however, that such number of shares and/or Option Price is subject to adjustment as provided in Section 6 of this Stock Option Agreement. The Stock Option shall be exercisable in whole or in part, to the extent provided in Section 4 hereof. As a condition of the grant of the Stock Option, Employee must execute a covenant not to compete in the form of Exhibit B hereto. The Stock Option is a nonstatutory stock option and not an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. The Stock Option, and any part thereof, shall be exercised by the giving of ten days' (or such shorter period as the Company may permit) prior written notice of exercise to the Secretary of the Company accompanied by a letter, generally in the form of Exhibit C hereto, specifying the number of whole Option Shares to be purchased and accompanied by payment in full of the aggregate Option Price for the number of Option Shares to be purchased. Such notice shall be deemed to have been given when hand-delivered, telecopied or mailed, first class postage prepaid, and, subject to Section 4(c), shall be irrevocable and unconditional once given. The aggregate Option Price for such Option Shares may be paid either by cash or a certified or bank cashier's check payable to the order of the Company, or as otherwise permitted by the Company.

The Employee shall be responsible for paying all withholding taxes applicable to the exercise of any Stock Option. The Company shall have the right to take any action necessary to insure that the Employee pays the required withholding taxes. Upon payment of the aggregate Option Price for the Option Shares and the required withholding taxes, the Company shall cause the Option Shares so purchased to be delivered to the Employee. The Optionee shall be permitted to satisfy the Company's tax withholding requirements by making an election (the "Election") to have the Company withhold Option Shares otherwise issuable to the Optionee, or to deliver to the Company shares of Common Stock, having a fair market value on the date income is recognized with respect to the exercise of the Stock Option (the "Tax Date") equal in amount to the amount to be so withheld. If the number of shares of Common Stock determined pursuant to the preceding sentence includes a fractional share, the number of shares withheld or delivered shall be reduced to the next lower whole number and the Optionee shall deliver to the Company cash or its equivalent in lieu of such fractional share, or otherwise make arrangements satisfactory to the Company for payment of such amount. The Election shall be irrevocable and must be received by the Secretary of the Company at his corporate office prior to the Optionee's Tax Date. The Election shall be made in writing and be made according to such rules and regulations and in such form as the Committee shall determine and shall be subject to approval (including approval given in advance of the Election) by the Committee.

3. Neither the Employee nor his legal representative shall be or have any rights or privileges of a shareholder of the Company in respect of any of the Option Shares issuable upon exercise of this Stock Option unless and until such Option Shares shall have been issued upon the exercise of the Stock Option.

4. (a) Stock Options shall be deemed to have been granted as of the date of this Stock Option Agreement (the "Grant Date") and shall become exercisable or vested as follows:

(i) The portion of the Option Shares which shall vest or become exercisable on each of the next five one-year anniversaries of the Grant Date (each such anniversary referred to herein as an "Anniversary Date") shall be equal to the number of Option Shares awarded hereunder multiplied by a fraction, the numerator of which is the earnings per share of the Company for

the fiscal year ending immediately prior to such Anniversary Date and the denominator of which is \$31.21, provided, however, that the Company's earnings per share for any such fiscal year shall be deemed to be zero for the purpose of determining the numerator of the fraction referred to in the preceding sentence if such earnings per share are greater than zero and not ten percent higher than the Company's earnings per share for the immediately preceding fiscal year.¹ For purposes hereof, "earnings per share" means the amount of earnings (net of extraordinary items) attributable to each share of the Company's Common Stock outstanding (on a fully diluted basis), all as determined in accordance with generally accepted accounting principles;

(ii) Without limiting the discretion of the Committee to act in other cases, if a "Change in Control of the Company" (as defined in the Annex attached hereto) occurs, the Stock Option shall be exercisable in full as of the date thereof;

(iii) At the request of the Employee, the chief financial officer of the Company in consultation with the Committee will determine the number of Option Shares that have become exercisable and provide a certificate setting forth the basis for such determination; and

(iv) In the event that some or all of the Option Shares have not vested pursuant to Section 4(a)(i) above or other provisions of this Stock Option Agreement, such unvested Option Shares shall vest as of January 26, 2009.

(b) If the Employee's employment with the Company terminates for any reason other than death as provided in Section 4(e) below, the Stock Option to the extent not exercisable or vested as of the date of termination shall not become exercisable or vested as a result of events (including the passage of time or the achievement of another Anniversary Date) occurring subsequent to the date of termination unless a different result occurs in or pursuant to Section 4(e) below. Except as provided in or pursuant to Section 4(e) below, the vested but unexercised portion of the Stock Option shall automatically and

- -----
¹ By way of example, if the Company's earnings per share for the fiscal years ending December 31, 2000 through December 31, 2004 are as shown in the earnings per share column in the table below, the percentage of the option shares which would vest on each Anniversary Date is as shown in the vesting line of the table:

	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	Cumulative Vesting
Earnings per share	\$4.81	\$5.53	\$5.97	\$6.69	\$7.83	
Vesting on the next Anniversary Date following fiscal year end	15.4%	17.7%	-0-	21.4%	25.1%	79.6%

without notice terminate and become null and void at the time of the earliest date (the "Termination Date") to occur of the following:

(i) Thirty (30) days after the termination of the Employee's employment with the Company and all subsidiaries thereof for any reason (including without limitation, disability or termination by the Company and all subsidiaries thereof, with or without cause) other than by reason of the Employee's death or a leave of absence approved by the Company or by reason of the Employee's retirement from the Company and all subsidiaries thereof after reaching age 55 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven (7) years; or

(ii) Three Hundred Sixty-Five (365) days following the termination of the Employee's employment with the Company and all subsidiaries thereof by reason of the Employee's death or by reason of the Employee's retirement from the Company and all subsidiaries thereof after reaching age 55 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven (7) years; or

(iii) Thirty (30) days after expiration or termination of a leave of absence approved by the Company unless the Employee becomes reemployed with the Company prior to such 30-day period in which event the Stock Option shall continue in effect in accordance with its terms; or

(iv) January 26, 2010.

(c) The Committee, in its sole discretion, may from time to time accelerate or waive any conditions to the exercise of the Stock Option.

(d) If the Employee dies while in the employ of the Company or any subsidiary, then, regardless of whether the Stock Option is subject to exercise under Section 4(a) above, the Stock Option shall become immediately vested and exercisable by the personal representative of the Employee or the person to whom the Employee's rights under the Stock Option are transferred by law or applicable laws of descent and distribution.

(e) (i) If the Employee's employment with the Company and all subsidiaries terminates by reason of retirement after reaching age 62 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven (7) years, (A) the Stock Option shall continue to vest during the balance of the vesting period if (x) no later than the date on which employment terminates, the Employee enters into an agreement with the Company (which agreement shall be drafted by and acceptable to the Company) under which the Employee agrees not to compete with the Company and its subsidiaries during the balance of such period and for one year thereafter, and (y) the Employee complies with such agreement, and (B) if the conditions in clause (A) are

satisfied, (x) upon the Employee's death any unvested portion of the Stock Option shall become immediately vested and exercisable by the personal representative or other person referred to in Section 4(d) and (y) the Termination Date shall be 365 days after the date on which the last vesting of the Stock Option occurs (including vesting as a result of death) or, if earlier, the date specified in Section 4(b)(iv), except that if the Employee was employed by a combination of the Company or any subsidiary and WMAC Investment Corporation or any of its subsidiaries for an aggregate continuous period (disregarding any break in service of less than three months) of at least twenty (20) years, the Termination Date shall be the date specified in Section 4(b)(iv).

(ii) If the Employee's employment with the Company and all subsidiaries terminates by reason of retirement after reaching age 55 and after having been employed by the Company or any subsidiary for an aggregate period of at least seven (7) years, without creating any implication that the Committee may not act in other cases, the Committee may take action in its sole discretion to provide that the Stock Option, or a portion thereof determined by the Committee, shall become vested upon the Employee's death, shall continue to vest during the balance of the vesting period and shall continue to be exercisable after termination of employment, all as contemplated in Subsection 4(e)(i) above if the Employee complies with the conditions in clauses (x) and (y) of Subsection 4(e)(i).

(iii) If the Employee enters into a noncompetition agreement contemplated by Subsection 4(e)(i) or (ii) and thereafter breaches the terms thereof, the Termination Date shall occur on the date of the breach and any portion of the Stock Option that is not then vested shall not become exercisable or vested thereafter.

5. Nothing herein contained shall confer upon the Employee the right to continue in the employment of the Company or affect the right of the Company to terminate the Employee's employment at any time, or permit the exercise of this Stock Option as a result of the Company electing to terminate at any time the employment of the Employee subject, however, to the provisions of any written agreement of employment between the Company and the Employee. The Employee acknowledges that a termination of employment could occur at a time at which the portion of the Stock Option that is not exercisable or vested could have substantial value and that as a result of such termination, the Employee will not be able to realize such value nor will the Employee be entitled to any compensation on account of such value. In addition, the Employee acknowledges that a termination of employment will likely cause the vested but unexercised portion of the Stock Option to terminate earlier than it otherwise would, with the result that the value to the Employee of having a longer exercise period will be lost without any compensation to the Employee on account of such loss.

6. In the event of any change in the outstanding shares of the Company ("capital adjustment") for any reason, including but not limited to, any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event, an adjustment in the number or kind of shares of Common Stock subject to this Stock Option, the Option Price under this Stock Option and the

Company's cumulative earnings per share target for purposes of Section 4(a)(i) hereof shall be made by the Committee in a manner consistent with such capital adjustment. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Stock Option Agreement.

7. Notwithstanding any provision of this Stock Option Agreement to the contrary, the Committee may take whatever action it may consider necessary or appropriate to comply with the Securities Act of 1933, as amended, or any other applicable securities law, including limiting the exercisability of this Stock Option or the issuance of Option Shares hereunder.

8. This Stock Option may not be exercised if the issuance of such Option Shares upon such exercise would constitute a violation of any applicable Federal or state securities law or other law or regulation. As a condition to the exercise of this Stock Option, the Company may require the Employee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

9. Except as herein otherwise provided, the Stock Option and any rights and privileges conferred by this Stock Option Agreement shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment, or similar process. Upon any attempt so to transfer, assign, pledge, hypothecate, or otherwise dispose of the Stock Option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon the levy of an attachment or similar process upon the rights and privileges conferred hereby, the Stock Option and the rights and privileges conferred hereby shall immediately become null and void.

10. This Stock Option shall be deemed to have been granted pursuant to the Amended Plan and is subject to the terms and provisions thereof. In the event of any conflict between the terms hereof and the provisions of the Amended Plan, the terms and conditions of the Amended Plan shall prevail. Any and all terms used herein, unless otherwise specifically defined herein, shall have the meaning ascribed to them in the Amended Plan.

11. This Stock Option Agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the business of the Company, but neither this Stock Option Agreement nor any rights hereunder shall be assignable by the Employee.

12. All decisions or interpretations of the Committee with respect to any question arising under the Amended Plan or under this Stock Option Agreement shall be binding, conclusive and final. As a condition of the granting of the Stock Option, the Employee agrees, for himself and his personal representatives, that any dispute or disagreement which may arise under or as a result of or pursuant to this Stock Option Agreement shall be determined by the Committee in its sole discretion, and that any interpretation or determination by the Committee shall be final, binding and conclusive.

13. The waiver by the Company of any provision of this Stock Option Agreement shall not operate as or be construed to be a subsequent waiver of the same provisions or waiver of any other provision hereof.

14. Except as herein otherwise provided, this Stock Option shall be irrevocable before the Termination Date and its validity and construction shall be governed by the laws of the State of Wisconsin (excluding the conflict of laws provisions of such laws).

The Employee hereby acknowledges his acceptance of the Stock Option by executing the duplicate of this Stock Option Agreement in the space provided and returning it to the Secretary of the Company as directed by the Company. By accepting this Stock Option Agreement, the Employee, and each person claiming under or through him, shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Amended Plan by the Company or the Committee.

MGIC INVESTMENT CORPORATION

By: _____
President and Chief Executive Officer

ACCEPTED BY:

Name of Employee: _____
Number of Shares: _____

Definition of "Change in Control of the Company" and Related Terms

1. Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing 50% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on July 22, 1999 or initially appointed, elected or nominated by such two-thirds (2/3) vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such

individuals are first nominated for election by a vote of at least two-thirds (2/3) of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity of which at least 75% of the combined voting power of the voting securities entitled to vote generally in the election of directors immediately after such sale are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

2. Related Definitions. For purposes of this Annex, the following terms, when capitalized, shall have the following meanings:

(i) Act. The term "Act" means the Securities Exchange Act of 1934, as amended.

(ii) Affiliate and Associate. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Act.

(iii) Beneficial Owner. A Person shall be deemed to be the "Beneficial Owner" of any securities:

(a) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company's Rights Agreement, dated as of July 22, 1999, between the Company and Firststar Bank Milwaukee, N.A., as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule 13D under the Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or

understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 1(c)(ii) above) or disposing of any voting securities of the Company.

(iv) Person. The term "Person" shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

MGIC INVESTMENT CORPORATION
STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of May 5, 1999, between MGIC Investment Corporation, a Wisconsin corporation (the "Company") and the key employee or executive officer of the Company or a subsidiary thereof whose name is set forth on the signature page hereof (the "Employee").

WHEREAS, the Company is of the opinion that its interests will be advanced by encouraging and enabling key employees and executive officers of the Company and its subsidiaries to acquire Common Stock, par value \$1.00 per share of the Company ("Common Stock"), through stock options and believes that the granting of such options will stimulate the efforts of the key employees and executive officers, strengthen their desire to remain in the employ of the Company and its subsidiaries or affiliates, provide them with a more direct interest in its welfare, and to that end the Company duly adopted the MGIC Investment Corporation 1991 Stock Incentive Plan, as amended (the "Plan") attached hereto as Exhibit A; and

WHEREAS, the Board of Directors acting through the Committee (or a subcommittee thereof) has determined that it is in furtherance of the objective of the Plan, and in the best interests of the Company, to grant a stock option to the Employee to purchase the number of shares of Common Stock hereinafter set forth;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, and other good and valuable consideration, the parties hereto agree as follows:

1. The Company hereby grants to the Employee, as a matter of incentive and to encourage stock ownership in the Company, the right and option (the "Stock Option") to purchase from the Company, on the terms and conditions hereinafter set forth, the number of shares of Common Stock set forth on the signature page hereof (the "Option Shares"), at a purchase price of \$_____ per share (the "Option Price"), exercisable as hereinafter stated; provided, however, that such number of shares and/or Option Price is subject to adjustment as provided in Section 6 of this Stock Option Agreement. The Stock Option shall be exercisable in whole or in part, to the extent provided in Section 4 hereof. As a condition of the grant of the Stock Option, Employee must execute an agreement not to compete in the form of Exhibit B hereto. The Stock Option is a nonstatutory stock option and not an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. The Stock Option, and any part thereof, shall be exercised by the giving of ten days' (or such shorter period as the Company may permit) prior written notice of exercise to the Secretary of the Company accompanied by a letter, generally in the form of Exhibit C hereto, specifying the number of whole Option Shares to be purchased and accompanied by payment in full of the aggregate Option Price for the number of Option Shares to be purchased. A partial exercise of the Stock Option may not be made with respect to fewer than ten (10) Option Shares unless the Option Shares purchased are the total number then available for purchase under the

Stock Option. Such notice shall be deemed to have been given when hand-delivered, telecopied or mailed, first class postage prepaid, and, subject to Section 4(c), shall be irrevocable and unconditional once given. The aggregate Option Price for such Option Shares may be paid either by cash or a certified or bank cashier's check payable to the order of the Company, or as otherwise permitted by the Company.

The Employee shall be responsible for paying all withholding taxes applicable to the exercise of any Stock Option. The Company shall have the right to take any action necessary to insure that the Employee pays the required withholding taxes. Upon payment of the aggregate Option Price for the Option Shares and the required withholding taxes, the Company shall cause a certificate for the Option Shares so purchased to be delivered to the Employee. The Optionee shall be permitted to satisfy the Company's tax withholding requirements by making an election (the "Election") to have the Company withhold Option Shares otherwise issuable to the Optionee, or to deliver to the Company shares of Common Stock, having a fair market value on the date income is recognized with respect to the exercise of the Stock Option (the "Tax Date") equal in amount to the amount to be so withheld. If the number of shares of Common Stock determined pursuant to the preceding sentence includes a fractional share, the number of shares withheld or delivered shall be reduced to the next lower whole number and the Optionee shall deliver to the Company cash or its equivalent in lieu of such fractional share, or otherwise make arrangements satisfactory to the Company for payment of such amount. The Election shall be irrevocable and must be received by the Secretary of the Company at his corporate office prior to the Optionee's Tax Date. The Election shall be made in writing and be made according to such rules and regulations, if any, and in such form as the Committee shall determine and shall be subject to approval (including approval given in advance of the Election) by the Committee.

3. Neither the Employee nor his legal representative shall be or have any rights or privileges of a shareholder of the Company in respect of any of the Option Shares issuable upon exercise of the Stock Option unless and until a certificate or certificates for such Option Shares shall have been issued upon the exercise of the Stock Option.

4. (a) The Stock Option shall be deemed to have been granted as of the date of this Stock Option Agreement and shall become exercisable or vested as follows:

(i) The percentage of the Option Shares which shall vest and may be exercised by the Employee shall be as set forth below with respect to the given date:

Date:	Percent Exercisable or Vested:
-----	-----
Prior to May 5, 2000	0%
May 5, 2000	20%
May 5, 2001	40%
May 5, 2002	60%
May 5, 2003	80%
May 5, 2004	100%

For purposes of the foregoing, vesting shall occur on the date specified and in the percentage indicated; and

(ii) If a change in control occurs, the Stock Option shall be exercisable in full as of the date thereof. For this purpose, "change in control" shall mean (x) any event which results in the legal or beneficial ownership in one person or group of persons acting in concert of shares of Common Stock of the Company representing more than fifty percent (50%) of the outstanding Common Stock of the Company on the date of such event or (y) a transaction between the Company and another person as a result of which less than a majority of the combined voting power of the then-outstanding common stock of the Company or such person immediately after the transaction is held in the aggregate by the holders of common stock of the Company immediately prior to the transaction. Without creating any implication that this sentence is necessary for the following result to occur, for purposes of determining whether a change in control has occurred, (x) shares of Common Stock of the Company include shares of common stock of any successor to the Company and ownership of such shares immediately after such event shall be deemed to have resulted from such event. It is understood that if a change in control occurs, this Section 4(a)(ii) shall apply even if the transaction by which such change in control occurs is also described in Section 4(c).

(b) If the Employee's employment with the Company terminates for any reason other than death as provided in Section 4(e) below, the Stock Option to the extent not exercisable or vested as of the date of termination shall not become exercisable or vested as a result of events (including the passage of time or the achievement of another anniversary date for vesting and exercise) occurring subsequent to the date of termination unless a different result occurs in or pursuant to Section 4(f) below. Except as provided in or pursuant to Section 4(f) below, the vested but unexercised portion of the Stock Option shall automatically and without notice terminate and become null and void at the time of the earliest date (the "Termination Date") to occur of the following:

(i) Thirty (30) days after the termination of the Employee's employment with the Company and all subsidiaries thereof for any reason (including without limitation, disability or termination by the Company and all subsidiaries thereof,

with or without cause) other than by reason of the Employee's death or a leave of absence approved by the Company or by reason of the Employee's retirement from the Company and all subsidiaries thereof after reaching age 55 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven (7) years; or

(ii) Three Hundred Sixty-Five (365) days following the termination of the Employee's employment with the Company and all subsidiaries thereof by reason of the Employee's death or by reason of the Employee's retirement from the Company and all subsidiaries thereof after reaching age 55 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven (7) years; or

(iii) Thirty (30) days after expiration or termination of a leave of absence approved by the Company unless the Employee becomes reemployed with the Company prior to such 30-day period in which event the Stock Option shall continue in effect in accordance with its terms; or

(iv) May 5, 2009.

(c) In the event of a sale, lease or transfer of all or substantially all of the Company's assets, equity securities or businesses, or merger, consolidation or other business combination involving the Company, the Committee may in its discretion elect to declare that all or any portion of the Stock Option is immediately exercisable and to take all such action as it deems necessary in connection therewith and thereafter the Employee may exercise the Stock Option to such extent, contingent upon the consummation of such event, and the Stock Option, if and to the extent so exercised, shall be deemed exercised immediately prior to such consummation.

(d) The Committee, in its sole discretion, may from time to time accelerate or waive any conditions to the exercise of the Stock Option.

(e) If the Employee dies while in the employ of the Company or any subsidiary then, regardless of whether the Stock Option is subject to exercise under Section 4(a) above, the Stock Option shall become immediately vested and exercisable by the personal representative of the Employee or the person to whom the Employee's rights under the Stock Option are transferred by law or applicable laws of descent and distribution.

(f) (i) If the Employee's employment with the Company and all subsidiaries terminates by reason of retirement after reaching age 62 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven (7) years, (A) the Stock Option shall continue to vest during the balance of the vesting period if (x) no later than the date on which employment terminates, the Employee enters into an agreement with the Company (which agreement shall be drafted by and acceptable to the Company) under which the Employee agrees not to compete with the Company and its subsidiaries during the balance of such period and for one year thereafter, and (y) the Employee complies with such agreement,

and (B) if the conditions in clause (A) are satisfied, (x) upon the Employee's death any unvested portion of the Stock Option shall become immediately vested and exercisable by the personal representative or other person referred to in Section 4(e) and (y) the Termination Date shall be 365 days after the date on which the last vesting of the Stock Option occurs (including vesting as a result of death) or, if earlier, the date specified in Section 4(b)(iv); except that if the Employee was employed by a combination of the Company or any subsidiary and WMAC Investment Corporation or any of its subsidiaries for an aggregate continuous period (disregarding any break in service of less than three months) of at least twenty (20) years, the Termination Date shall be the date specified in Section 4(b)(iv); and

(ii) If the Employee's employment with the Company and all subsidiaries terminates by reason of retirement after reaching age 55 and after having been employed by the Company or any subsidiary for an aggregate period of at least seven (7) years, without creating any implication that the Committee may not act in other cases, the Committee may take action in its sole discretion to provide that the Stock Option, or a portion thereof determined by the Committee, shall become vested upon the Employee's death, shall continue to vest during the balance of the vesting period and shall continue to be exercisable after termination of employment, all as contemplated in Subsection 4(f)(i) above if the Employee complies with the conditions in clauses (x) and (y) of Subsection 4(f)(i).

(iii) If the Employee enters into a noncompetition agreement contemplated by Subsection 4(f)(i) or (ii) and thereafter breaches the terms thereof, the Termination Date shall occur on the date of the breach and any portion of the Stock Option that is not then vested shall not become exercisable or vested thereafter.

5. Nothing herein contained shall confer upon the Employee the right to continue in the employment of the Company or affect the right of the Company to terminate the Employee's employment at any time, or permit the exercise of the Stock Option as a result of the Company electing to terminate at any time the employment of the Employee subject, however, to the provisions of any agreement of employment between the Company and the Employee.

6. In the event of any change in the outstanding shares of the Company ("capital adjustment") for any reason, including but not limited to, any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event, an adjustment in the number or kind of shares of Common Stock subject to the Stock Option, the Option Price under the Stock Option shall be made by the Committee in a manner consistent with such capital adjustment. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Stock Option Agreement.

7. Notwithstanding any provision of this Stock Option Agreement to the contrary, the Committee may take whatever action it may consider necessary or appropriate to comply with the Securities Act of 1933, as amended, or any other applicable securities law, including limiting the exercisability of the Stock Option or the issuance of Option Shares hereunder.

8. The Stock Option may not be exercised if the issuance of such Option Shares upon such exercise would constitute a violation of any applicable Federal or state securities law

or other law or regulation. As a condition to the exercise of the Stock Option, the Company may require the Employee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

9. Except as herein otherwise provided or as otherwise permitted by the Committee, the Stock Option and any rights and privileges conferred by this Stock Option Agreement shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment, or similar process. Upon any attempt so to transfer, assign, pledge, hypothecate, or otherwise dispose of the Stock Option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon the levy of an attachment or similar process upon the rights and privileges conferred hereby, the Stock Option and the rights and privileges conferred hereby shall immediately become null and void.

10. The Stock Option shall be deemed to have been granted pursuant to the Plan and is subject to the terms and provisions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless otherwise specifically defined herein, shall have the meaning ascribed to them in the Plan.

11. This Stock Option Agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the business of the Company, but neither this Stock Option Agreement nor any rights hereunder shall be assignable by the Employee, except as may be permitted pursuant to Section 9 above.

12. All decisions or interpretations of the Committee with respect to any question arising under the Plan or under this Stock Option Agreement shall be binding, conclusive and final. As a condition of the granting of the Stock Option, the Employee agrees, for himself and his personal representatives, that any dispute or disagreement which may arise under or as a result of or pursuant to this Stock Option Agreement shall be determined by the Committee in its sole discretion, and that any interpretation or determination by the Committee shall be final, binding and conclusive.

13. The waiver by the Company of any provision of this Stock Option Agreement shall not operate as or be construed to be a subsequent waiver of the same provisions or waiver of any other provision hereof.

14. Except as herein otherwise provided, the Stock Option shall be irrevocable before the Termination Date and its validity and construction shall be governed by the laws of the State of Wisconsin.

The Employee hereby acknowledges his acceptance of the Stock Option by executing the duplicate of this Stock Option Agreement in the space provided and returning it to the Secretary of the Company as directed by the Company. By accepting this Stock Option Agreement, the Employee, and each person claiming under or through him, shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan by the Company or the Committee.

MGIC INVESTMENT CORPORATION

By: _____
President

ACCEPTED BY:

Name of Employee: _____
Number of Shares: _____

MGIC INVESTMENT CORPORATION
INCENTIVE AWARD
RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT is made and entered into as of the date set forth on the signature page hereof by and between MGIC INVESTMENT CORPORATION, a Wisconsin corporation (the "Company"), and the employee of the Company whose signature is set forth on the signature page hereof (the "Employee").

W I T N E S S E T H :

WHEREAS, the Company has adopted the MGIC Investment Corporation 1991 Stock Incentive Plan, as amended (the "Plan") to permit shares of the Company's common stock, \$1.00 par value per share (the "Stock"), to be awarded to certain key employees of the Company and any subsidiary (collectively, "Participating Company"); and

WHEREAS, the Employee is a key employee of a Participating Company, and the Company desires the Employee to remain in such employ and to further an opportunity for the Employee's stock ownership in the Company in order to increase the Employee's proprietary interest in the success of the Company;

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. Award of Restricted Stock. Subject to the terms and conditions set forth herein, the Company awards the Employee the number of shares of Stock set forth on the signature page hereof (the "Restricted Stock").

2. Restrictions. Except as otherwise provided herein, the Restricted Stock may not be sold, transferred or otherwise alienated or hypothecated until the date set forth on the signature page hereof (the "Release Date").

3. Escrow. Shares of Restricted Stock shall be issued as soon as practicable in the name of the Employee but shall be held in escrow by the Company, as escrow agent. Upon issuance of such shares, (i) the Company shall give the Employee a receipt for the Restricted Stock held in escrow which will state that the Company holds such Stock in escrow for the account of the Employee, subject to the terms of this Agreement, and (ii) the Employee shall give the Company a stock power for such Stock duly endorsed in blank which will be held in escrow for use in the event such Stock is forfeited in whole or in part. Unless forfeited as provided herein, Restricted Stock shall cease to be held in escrow and certificates for such Stock shall be delivered to the Employee, or in the case of his death, to his Beneficiary (as

-1-

hereinafter defined) on the Release Date or upon any other termination of the restrictions imposed by Paragraph 2 hereof.

4. Transfer After Release Date; Securities Law Restrictions. Except as otherwise provided herein, Restricted Stock shall become free of the restrictions of Paragraph 2 and be freely transferable by the Employee on the Release Date. Notwithstanding the foregoing or anything to the contrary herein, the Employee agrees and acknowledges with respect to any Restricted Stock that has not been registered under the Securities Act of 1933, as amended (the "Act") (i) he will not sell or otherwise dispose of such Stock except pursuant to an effective registration statement under the Act and any applicable state securities laws, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and (ii) a legend will be placed on the certificates or other evidence for the Restricted Stock to such effect.

5. Termination of Employment Due to Death. If the Employee's employment with all Participating Companies is terminated because of death prior to the Release Date, the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate on the date of death and such Restricted Stock shall be free of such restrictions and, except as otherwise provided in Paragraph 4 hereof, freely transferable.

6. Termination of Employment Other Than Due to Death. If the Employee's employment with the Company is terminated prior to the Release Date for any reason other than death, all Restricted Stock shall be forfeited to the Company on the date of such termination unless the Stock Award Committee which administers the Plan (the "Committee") determines, on such terms and conditions, if any, as the Committee may impose, that all or a portion of the Restricted Stock shall be released to the Employee and the restrictions of Paragraph 2 applicable thereto shall terminate. Absence of the Employee on leave approved by a duly elected officer of the Company, other than the Employee, shall not be considered a termination of employment during the period of such leave.

7. Beneficiary. (a) The person whose name appears on the signature page hereof after the caption "Beneficiary" or any successor designated by the Employee in accordance herewith (the person who is the Employee's Beneficiary at the time of his death herein referred to as the "Beneficiary") shall be entitled to receive the Restricted Stock to be released to the Beneficiary under Paragraphs 3 and 5 as a result of the death of the Employee. The Employee may from time to time revoke or change his Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Employee's death, and in no event shall any designation be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of an Employee's death, or if no designated Beneficiary survives the Employee or if such designation conflicts with law, the Employee's estate shall be entitled to receive the Restricted

Stock upon the death of the Employee. If the Committee is in doubt as to the right of any person to receive such Restricted Stock, the Company may retain such Stock and any distributions thereon, without liability for any interest thereon, until the Committee determines the person entitled thereto, or the Company may deliver such Restricted Stock and any distributions thereon to any court of appropriate jurisdiction and such delivery shall be a complete discharge of the liability of the Company therefor.

8. Restricted Stock Legend. In addition to any legends placed on certificates for Restricted Stock or other evidence of ownership of Restricted Stock under Paragraph 4 hereof, each certificate or such other evidence for shares of Restricted Stock shall bear the following legend:

"The sale or other transfer of these shares of stock, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the MGIC Investment Corporation 1991 Stock Incentive Plan and a Restricted Stock Award Agreement between MGIC Investment Corporation and the registered owner hereof. A copy of such Plan and such Agreement may be obtained from the Secretary of MGIC Investment Corporation."

When the restrictions imposed by Paragraph 2 hereof terminate, the Employee shall be entitled to have the foregoing legend removed from such Stock.

9. Voting Rights; Dividends and Other Distributions. (a) While the Restricted Stock is subject to restrictions under Paragraph 2 and prior to any forfeiture thereof, the Employee may exercise full voting rights for the Restricted Stock registered in his name and held in escrow hereunder.

(b) While the Restricted Stock is subject to the restrictions under Paragraph 2 and prior to any forfeiture thereof, the Employee shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in Stock, such shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid, including the requirement that Restricted Stock be held in escrow pursuant to Paragraph 3 hereof.

(c) Subject to the provisions of this Agreement, the Employee shall have, with respect to the Restricted Stock, all other rights of holders of Stock.

10. Tax Withholding. (a) It shall be a condition of the obligation of the Company to issue or release from escrow Restricted Stock to the Employee or the Beneficiary, and the Employee agrees, that the Employee shall pay to the Company upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state, or local income or other taxes incurred by reason of the award of the Restricted Stock or as a result of the termination of the restrictions on such Stock hereunder.

(b) If the Employee does not make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the Restricted Stock awarded hereunder, the Employee may satisfy the Company's withholding tax requirements by electing to have the Company withhold that number of shares of Restricted Stock otherwise deliverable to the Employee from escrow hereunder or to deliver to the Company a number of shares of Stock, in each case, having a fair market value (as determined by the Committee) on the Tax Date (as defined below) equal to the minimum amount required to be withheld as a result of the termination of the restrictions on such Restricted Stock. The election must be in writing and be delivered to the Company prior to the Tax Date. If the number of shares so calculated to be withheld shall include a fractional share, the Employee shall deliver cash in lieu of such fractional share. All elections shall be made in a form approved by the Committee and shall be subject to disapproval, in whole or in part, by the Committee. As used herein, "Tax Date" means the date on which the Employee must include in his gross income for federal income tax purposes the fair market value of the Restricted Stock over the purchase price therefor.

11. Adjustments in Event of Change in Stock. In the event of any change in the outstanding shares of Stock ("capital adjustment") for any reason, including but not limited to, any stock splits, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event which, in the judgment of the Committee, could distort the implementation of the Plan or the realization of its objectives, the Committee may make such adjustments in the shares of Restricted Stock subject to this Agreement, or in the terms, conditions or restrictions of this Agreement as the Committee deems equitable.

12. Change in Control. If a "Change in Control of the Company" (as defined in Annex attached hereto) occurs, the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate on the date of the Change in Control of the Company and such date shall be deemed to be the Release Date.

13. Powers of Company Not Affected. The existence of the Restricted Stock shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Restricted Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Agreement. Nothing herein contained shall confer upon the Employee any right to continue in the employment of any Participating Company or interfere with or limit in any way the right of any Participating Company to terminate the Employee's employment at any time, subject, however, to the provisions of any agreement of employment between any Participating Company and the Employee.

14. Interpretation by Committee. The Employee agrees that any dispute or disagreement which may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Plan and any determination made by the Committee under this Agreement or the Plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive. Any such determination need not be uniform and may be made differently among Employees awarded Restricted Stock.

15. Miscellaneous. (a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) The waiver by the Company of any provision of this Agreement shall not operate or be construed to be a subsequent waiver of the same provision or waiver of any other provision hereof.

(c) The Restricted Stock shall be deemed to have been awarded pursuant to the Plan and is subject to the terms and conditions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless specifically defined herein shall have the meaning ascribed to them in the Plan.

(d) Any notice, filing or delivery hereunder or with respect to Restricted Stock shall be given to the Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 250 East Kilbourn Avenue, Milwaukee 53202, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Employee, the Beneficiary and the personal representative(s) and heirs of the Employee, except that the Employee may not transfer any interest in any Restricted Stock prior to the release of the restrictions imposed by Paragraph 2.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer and its corporate seal hereunto affixed, and the Employee has hereunto affixed his hand and seal, all on the day and year set forth below.

MGIC INVESTMENT CORPORATION

(CORPORATE SEAL)

By: _____
Title: President and Chief Executive Officer

_____ (SEAL)
Name:

No. of Shares of Restricted Stock: _____

Date of Agreement:

Release Date:

Beneficiary: _____

Address of Beneficiary:

Beneficiary Tax Identification
No: _____

Definition of "Change in Control of the Company" and Related Terms

1. Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing 50% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on July 22, 1999 or initially appointed, elected or nominated by such two-thirds (2/3) vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least two-thirds (2/3) of the then Continuing Directors and are thereafter elected as

directors by the shareholders of the Company at a meeting of shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity of which at least 75% of the combined voting power of the voting securities entitled to vote generally in the election of directors immediately after such sale are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

2. Related Definitions. For purposes of this Annex, the following terms, when capitalized, shall have the following meanings:

(i) Act. The term "Act" means the Securities Exchange Act of 1934, as amended.

(ii) Affiliate and Associate. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Act.

(iii) Beneficial Owner. A Person shall be deemed to be the "Beneficial Owner" of any securities:

(a) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company's Rights Agreement, dated as of July 22, 1999, between the Company and Firstar Bank Milwaukee, N.A., as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule 13D under the Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 1(c) (ii) above) or disposing of any voting securities of the Company.

(iv) Person. The term "Person" shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

MGIC INVESTMENT CORPORATION

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT is made and entered into as of the date set forth on the signature page hereof by and between MGIC INVESTMENT CORPORATION, a Wisconsin corporation (the "Company"), and the non-employee director of the Company whose signature is set forth on the signature page hereof (the "Non-Employee Director").

W I T N E S S E T H:

WHEREAS, the MGIC Investment Corporation 1991 Stock Incentive Plan (hereinafter referred to, as amended, as the "Plan"), permits shares of the Company's common stock, \$1.00 par value per share (the "Stock"), to be awarded under its Deposit Share Program to non-employee directors of the Company who elect to participate in the Program; and

WHEREAS, the Non-Employee Director has elected to participate in the Program.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. Award of Restricted Stock. Subject to the terms and conditions set forth herein, the Company hereby awards the Non-Employee Director the number of shares of Stock set forth on the signature page hereof (the "Restricted Stock").

2. Restrictions. Except as otherwise provided herein, the Restricted Stock may not be sold, transferred or otherwise alienated or hypothecated until the date set forth on the signature page hereof (the "Release Date"). Shares of Restricted Stock may be transferred by gift pursuant to the "Rules for Transfer of Awards Under the 1991 Stock Incentive Plan" attached to this Agreement as Exhibit A (the "Rules"). Any person to whom shares of Restricted Stock are transferred pursuant to the Rules is herein referred to as a "Permitted Transferee."

3. Escrow. Certificates for shares of Restricted Stock shall be issued as soon as practicable in the name of the Non-Employee Director but shall be held in escrow by the Company, as escrow agent. Upon issuance of such certificates, (i) the Company shall give the Non-Employee Director a receipt for the Restricted Stock held in escrow which will state that the Company holds such Stock in escrow for the account of the Non-Employee Director, subject to the terms of this Agreement, and (ii) the Non-Employee Director shall give the Company a stock power for such Stock duly endorsed in blank which will be held in escrow for use in the event such Stock is forfeited in whole or in part. Unless forfeited as provided herein, Restricted Stock shall cease to be held in escrow and certificates for such Stock which have not been transferred to a Permitted Transferee shall be delivered to the Non-Employee Director, or in the case of his

death, to his Beneficiary (as hereinafter defined) on the Release Date or upon any other termination of the restrictions imposed by Paragraph 2 hereof.

4. Transfer After Release Date; Securities Law Restrictions. Except as otherwise provided herein, Restricted Stock shall become free of the restrictions of Paragraph 2 and be freely transferable by the Non-Employee Director on the Release Date. Notwithstanding the foregoing or anything to the contrary herein, the Non-Employee Director agrees and acknowledges with respect to any Restricted Stock that has not been registered under the Securities Act of 1933, as amended (the "Act"), that (i) the Non-Employee Director will not sell or otherwise dispose of such Stock except pursuant to an effective registration statement under the Act and any applicable state securities laws, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and (ii) a legend will be placed on the certificates for the Restricted Stock to such effect.

5. Termination of Directorship Due to Death. If the Non-Employee Director ceases to be a director of the Company by reason of the Non-Employee Director's death, (a) the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate and (b) the vesting requirements for the Restricted Shares shall be deemed to be fulfilled on the date of the Non-Employee Director's death.

6. Forfeiture. Awards of Restricted Stock hereunder that have not vested shall be forfeited by the Non-Employee Director and shall revert to the Company upon the Non-Employee Director ceasing to be a director of the Company for any reason other than the Non-Employee Director's death or a "Permissible Event," unless otherwise provided by the Committee. A Permissible Event is termination of service as a director of the Company by reason of (a) the Non-Employee Director being ineligible for continued service as a director of the Company under the Company's retirement policy, or (b) the Non-Employee Director's taking a position with or providing services to a governmental, charitable or educational institution whose policies prohibit continued service on the Company's Board of Non-Employee Directors or under circumstances in which that continued service as a director of the Company would be a violation of law. If the Non-Employee Director ceases to be a director of the Company by reason of a Permissible Event, the Restricted Stock shall continue to vest during the balance of the Restricted Period if (1) no later than the date on which the Non-Employee Director ceases to be a director of the Company, the Non-Employee Director enters into an agreement approved by the Committee under which the Non-Employee Director agrees not to compete with the Company or its subsidiaries during the balance of such period and (2) the Non-Employee Director complies with the agreement. All Restricted Stock that does not so vest shall be forfeited to the Company, unless otherwise determined by the Committee.

7. Beneficiary. (a) The person whose name appears on the signature page hereof after the caption "Beneficiary" or any successor designated by the Non-Employee Director in accordance herewith (the person who is the Non-Employee Director's Beneficiary at the time of his death herein referred to as the "Beneficiary") shall be entitled to receive the vested Restricted Stock to be released to the Beneficiary under Paragraphs 3 and 5 as a result of the death of the Non-Employee Director. The Non-Employee Director may from time to time revoke or change

the Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Non-Employee Director's death, and in no event shall any designation be effective as of a date prior to such receipt. If no such Beneficiary designation is in effect at the time of an Non-Employee Director's death, or if no designated Beneficiary survives the Non-Employee Director or if such designation conflicts with law, the Non-Employee Director's estate shall be entitled to receive the Restricted Stock upon the death of the Non-Employee Director.

(b) A Permitted Transferee shall be entitled to designate a Beneficiary with respect to the shares of Restricted Stock transferred to the Permitted Transferee by completing the appropriate portion of the election form contemplated by Paragraph 5 of the Rules (the "Election Form"). Such Beneficiary shall be entitled to receive the vested Restricted Stock to be released under Paragraphs 3 and 5 as a result of the death of the Non-Employee Director or otherwise to be released hereunder if, in either case, the Permitted Transferee dies, prior to such release. The Permitted Transferee may from time to time revoke or change such Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling, provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Non-Employee Director's death, and in no event shall any designation be effective as of a date prior to such receipt. If no such designated Beneficiary survives the Permitted Transferee, such Beneficiary's estate, or if such designation conflicts with law, the Permitted Transferee's estate, shall be entitled to receive the Restricted Stock released hereunder.

(c) If the Committee is in doubt as to the right of any person to receive such Restricted Stock, the Company may retain such Stock, without liability for any interest thereon, until the Committee determines the person entitled thereto, or the Company may deliver such Restricted Stock to any court of appropriate jurisdiction and such delivery shall be a complete discharge of the liability of the Company therefor.

8. Certificate Legend. In addition to any legends placed on certificates for Restricted Stock under Paragraph 4 hereof, each certificate for shares of Restricted Stock shall bear the following legend:

"The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the MGIC Investment Corporation 1991 Stock Incentive Plan, as amended, and a Restricted Stock Award Agreement between MGIC Investment Corporation and the registered owner hereof. A copy of such Plan and such Agreement may be obtained from the Secretary of MGIC Investment Corporation."

When the restrictions imposed by Paragraph 2 hereof terminate, the foregoing legend shall be removed from the certificates representing such Stock upon request of the Non-Employee Director or a Permitted Transferee for whom the shares have been transferred.

9. Voting Rights; Dividends and Other Distributions.

(a) While the Restricted Stock is subject to restrictions under Paragraph 2 and prior to any forfeiture thereof, the Non-Employee Director may exercise full voting rights for the Restricted Stock registered in his name and held in escrow hereunder.

(b) While the Restricted Stock is subject to the restrictions under Paragraph 2 and prior to any forfeiture thereof, the Non-Employee Director shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in Stock, such shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid, including the requirement that Restricted Stock be held in escrow pursuant to Paragraph 3 hereof.

(c) Subject to the provisions of this Agreement, the Non-Employee Director shall have, with respect to the Restricted Stock, all other rights of holders of Stock.

10. Adjustments in Event of Change in Stock. In the event of any change in the outstanding shares of Stock ("capital adjustment") for any reason, including but not limited to, any stock splits, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event which, in the judgment of the Committee, could distort the implementation of the Plan or the realization of its objectives, the Committee may make such adjustments in the shares of Restricted Stock subject to this Agreement, or in the terms, conditions or restrictions of this Agreement as the Committee deems equitable.

11. Change in Control. If a "Change in Control of the Company" (as defined in Annex attached hereto) occurs, the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate on the date of the Change in Control of the Company.

12. Powers of Company Not Affected. The existence of the Restricted Stock shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Restricted Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Agreement. Nothing herein shall confer upon the Non-Employee Director the right to continue as a member of the Company's Board of Directors.

13. Interpretation by Committee. The Non-Employee Director agrees that any dispute or disagreement which may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Plan and any determination made by the Committee under this Agreement or the Plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive. Any such determination need not be uniform and may be made differently among Non-Employee Directors awarded Restricted Stock.

14. Miscellaneous.

(a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) The waiver by the Company of any provision of this Agreement shall not operate or be construed to be a subsequent waiver of the same provision or waiver of any other provision hereof.

(c) The Restricted Stock shall be deemed to have been awarded pursuant to the Plan and is subject to the terms and conditions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless specifically defined herein shall have the meaning ascribed to them in the Plan.

(d) Any notice, filing or delivery hereunder or with respect to Restricted Stock shall be given to the Non-Employee Director at either his or her address as indicated in the records of the Company to which communications are generally sent to him or her; shall be given to a Permitted Transferee at his address as indicated in the Election Form; and shall be given to the Committee or the Company at 250 East Kilbourn Avenue, Milwaukee 53202, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Non-Employee Director, any Permitted Transferee, the Beneficiary and the personal representative(s) and heirs of the Non-Employee Director, except that the Non-Employee Director may not transfer any interest in any Restricted Stock prior to the release of the restrictions imposed by Paragraph 2 other than as provided in Paragraph 2.

(f) The term "certificate" as used herein with regard to shares of Restricted Stock, includes electronic registration in the system of the Company's transfer agent for the Stock.

15. Deposit Share Program. In the event of any conflict between the terms hereof and the terms and conditions of Section 6(e) of the Plan relating to the Deposit Share Program, the terms and conditions of Section 6(e) shall prevail.

16. Permitted Transferee. In the event Shares of Restricted Stock are transferred to a Permitted Transferee, (i) the provisions of Paragraphs 3, 4, 9, and 13 shall apply mutatis mutandis to the shares so transferred and to the Permitted Transferee; (ii) the provisions of Paragraphs 5, 8, 10, 11, 12, 14 and 15 shall continue to apply without any change with respect to the shares so transferred; and (iii) the provisions of Paragraph 6 shall continue to apply without any change with respect to the shares so transferred, except that the shares to be forfeited shall be those shares of Restricted Stock that have not vested and which are held by the Permitted Transferee.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer, and the Non-Employee Director has hereunto affixed his hand and seal, all on the day and year set forth below.

MGIC INVESTMENT CORPORATION

By: _____

No. of Shares of Restricted Stock: _____

Date of Agreement:

Award Date:

Release Date:

Beneficiary: _____

Address of Beneficiary:

Beneficiary's Tax Identification
Number: _____

Definition of "Change in Control of the Company" and Related Terms

1. Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing 50% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on July 22, 1999 or initially appointed, elected or nominated by such two-thirds (2/3) vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least two-thirds (2/3) of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of shareholders held

following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity of which at least 75% of the combined voting power of the voting securities entitled to vote generally in the election of directors immediately after such sale are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

2. Related Definitions. For purposes of this Annex, the following terms, when capitalized, shall have the following meanings:

(i) Act. The term "Act" means the Securities Exchange Act of 1934, as amended.

(ii) Affiliate and Associate. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Act.

(iii) Beneficial Owner. A Person shall be deemed to be the "Beneficial Owner" of any securities:

(a) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company's Rights Agreement, dated as of July 22, 1999, between the Company and Firstar Bank Milwaukee, N.A., as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule 13D under the Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 1(c) (ii) above) or disposing of any voting securities of the Company.

(iv) Person. The term "Person" shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

EXECUTIVE BONUS PLAN OF
MGIC INVESTMENT CORPORATION
(the "Company")

The Executive Bonus Plan of the Company in effect for 2000 (which is not contained in a formal plan document), applies to certain officers of the Company, including the executive officers of the Company identified in the Form 10-K for the year ended December 31, 1999. Under the Executive Bonus Plan, if the Company achieves a minimum level of net income for 2000, an executive officer will be eligible for a bonus, depending upon the executive officer's individual performance, within various ranges of up to 200% of such executive officer's base salary, depending on the range applicable to the executive officer.

KEY EXECUTIVE EMPLOYMENT AND SEVERANCE AGREEMENT

THIS AGREEMENT is made and entered into as of the ___ day of _____, by and between MGIC Investment Corporation, a Wisconsin corporation (hereinafter referred to as the "Company"), and the person whose name appears on the signature page hereof (hereinafter referred to as "Executive").

W I T N E S S E T H

WHEREAS, the Executive is employed by the Company and/or a subsidiary of the Company (hereinafter referred to collectively as the "Employer") in a key executive capacity and the Executive's services are valuable to the conduct of the business of the Company;

WHEREAS, the Company desires to continue to attract and retain dedicated and skilled management employees in a period of actual and potential industry consolidation and changes in regulatory barriers regarding the ownership of insurance companies, consistent with achieving a transaction in the best interests of its shareholders in any change in control of the Company;

WHEREAS, the Company recognizes that circumstances may arise in which a change in control of the Company occurs, through acquisition or otherwise, thereby causing a potential conflict of interest between the Company's needs for the Executive to remain focused on the Company's business and for the necessary continuity in management prior to and following a change in control, and the Executive's reasonable personal concerns regarding future employment with the Employer and economic protection in the event of loss of employment as a consequence of a change in control;

WHEREAS, the Company and the Executive are desirous that any proposal for a change in control or acquisition of the Company will be considered by the Executive objectively and with reference only to the best interests of the Company and its shareholders;

WHEREAS, the Executive will be in a better position to consider the Company's best interests if the Executive is afforded reasonable economic security, as provided in this Agreement, against altered conditions of employment which could result from any such change in control or acquisition;

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Company and has acquired certain confidential information and data with respect to the Company; and

WHEREAS, the Company desires to insure, insofar as possible, that it will continue to have the benefit of the Executive's services and to protect its confidential information and goodwill.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto mutually covenant and agree as follows:

1. Definitions.

(a) Act. For purposes of this Agreement, the term "Act" means the Securities Exchange Act of 1934, as amended.

(b) Affiliate and Associate. For purposes of this Agreement, the terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Act.

(c) Beneficial Owner. For purposes of this Agreement, a Person shall be deemed to be the "Beneficial Owner" of any securities:

(i) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company's Rights Agreement, dated as of July 22, 1999, between the Company and Firststar Bank Milwaukee, N.A., as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to,

and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule 13D under the Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 1(c) (ii) above) or disposing of any voting securities of the Company.

(d) Cause. "Cause" for termination by the Employer of the Executive's employment in connection with a Change in Control of the Company shall, for purposes of this Agreement, be limited to (i) the engaging by the Executive in intentional conduct not taken in good faith which has caused demonstrable and serious financial injury to the Employer, as evidenced by a determination in a binding and final judgment, order or decree of a court or administrative agency of competent jurisdiction, in effect after exhaustion or lapse of all rights of appeal, in an action, suit or proceeding, whether civil, criminal, administrative or investigative; (ii) conviction of a felony (as evidenced by binding and final judgment, order or decree of a court of competent jurisdiction, in effect after exhaustion of all rights of appeal) which substantially impairs the Executive's ability to perform his duties or responsibilities; and (iii) continuing willful and unreasonable refusal by the Executive to perform the Executive's duties or responsibilities (unless significantly changed without the Executive's consent).

(e) Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing 50% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either

directors on July 22, 1999 or initially appointed, elected or nominated by such two-thirds (2/3) vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least two-thirds (2/3) of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the

Company's assets to an entity of which at least 75% of the combined voting power of the voting securities entitled to vote generally in the election of directors immediately after such sale are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(f) Code. For purposes of this Agreement, the term "Code" means the Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

(g) Covered Termination. Subject to Subsection 2(b) hereof, for purposes of this Agreement, the term "Covered Termination" means any termination of the Executive's employment during the Employment Period where the Notice of Termination is delivered on, or the Termination Date is, any date prior to the end of the Employment Period.

(h) Employment Period. Subject to Subsection 2(b) hereof, for purposes of this Agreement, the term "Employment Period" means a period commencing on the date of a Change in Control of the Company, and ending at 11:59 p.m. Central Time on the earlier of the third anniversary of such date or the Executive's Normal Retirement Date.

(i) Good Reason. For purposes of this Agreement, the Executive shall have "Good Reason" for termination of employment in connection with a Change in Control of the Company in the event of:

(i) any breach of this Agreement by the Employer, including specifically any breach by the Employer of the agreements contained in Sections 4, 5, or 6 hereof, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that the Employer remedies promptly after receipt of notice thereof given by the Executive;

(ii) the removal of the Executive from, or any failure to reelect or reappoint the Executive to, any of the offices held with MGIC on the date of the Change in Control of the Company (or if the Executive then held no office with MGIC, then with the Company), except in the event that such removal or failure to reelect or reappoint relates to the termination by the Employer of the Executive's employment for Cause or by reason of disability pursuant to Section 12 hereof; it is understood that if a description of the Executive's job function is part of the title of his office, e.g., "Vice President--Capital Markets, --Claims,--Managing Director,--Risk Management" or the like, such description shall be disregarded in determining whether the Executive has been removed from, or not reelected or appointed to, an office under this clause (ii), but this clause shall not affect the Executive's rights under clause (i) above by virtue of Section 4 hereof with respect to any change in the Executive's job function;

(iii) a material reduction in the aggregate level of support services, staff, secretarial and other comparable assistance directly available to the Executive during the 90-day period prior to the Change in Control of

the Company if such reduction makes the performance of the Executive's job functions materially more difficult than during such 90-day period; or

(iv) failure by the Company to obtain the Agreement referred to in Section 17(a) hereof as provided therein.

(j) MGIC. For purposes of this Agreement, the term "MGIC" means Mortgage Guaranty Insurance Corporation.

(k) Normal Retirement Date. For purposes of this Agreement, the term "Normal Retirement Date" means the date on which the Executive can retire from service with the Employer and commence receiving retirement payments within 31 days thereafter, without any reduction in such payments on account of early retirement, under the primary qualified defined benefit pension plan applicable to the Executive, or any successor plan, as in effect on the date of the Change in Control of the Company.

(l) Person. For purposes of this Agreement, the term "Person" shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

(m) Termination Date. For purposes of this Agreement, except as otherwise provided in Subsection 2(b), Subsection 10(b), and Subsection 17(a) hereof, the term "Termination Date" means (i) if the Executive's employment is terminated by the Executive's death, the date of death; (ii) if the Executive's employment is terminated by reason of voluntary early retirement, as agreed in writing by the Employer and the Executive, the date of such early retirement which is set forth in such written agreement; (iii) if the Executive's employment is terminated for purposes of this Agreement by reason of disability pursuant to Section 12 hereof, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period; (iv) if the Executive's employment is terminated by the Executive voluntarily (other than for Good Reason), the date the Notice of Termination is given; (v) if the Executive's employment is terminated by the Employer for Cause, the earlier of ten days after the Notice of Termination is given or one day prior to the end of the Employment Period; and (vi) if the Executive's employment is terminated by the Employer (other than for Cause or by reason of disability pursuant to Section 12 hereof) or by the Executive for Good Reason, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period. Notwithstanding the foregoing,

(1) If termination is for Cause pursuant to Subsection 1(d)(iii) of this Agreement and if the Executive has cured the conduct constituting such Cause as described by the Employer in its Notice of Termination within such ten-day or shorter period, then the Executive's employment hereunder shall continue as if the Employer had not delivered its Notice of Termination; provided, however, the right of the Executive to cure such conduct shall apply only to the first Notice of Termination indicating that the termination is for Cause.

(2) If the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination within the appropriate period following receipt thereof and it is finally determined that the reason asserted in such Notice of Termination did not exist, then (i) if such Notice was delivered by the Executive, the Executive will be deemed to have voluntarily terminated his employment and the Termination Date shall be the earlier of the date fifteen days after the Notice of Termination is given or one day prior to the end of the Employment Period and (ii) if delivered by the Company, the Company will be deemed to have terminated the Executive other than by reason of death, disability or Cause.

2. Termination or Cancellation Prior to Change in Control.

(a) Subject to Subsection 2(b) hereof, the Employer and the Executive shall each retain the right to terminate the employment of the Executive at any time prior to a Change in Control of the Company. Subject to Subsection 2(b) hereof, in the event the Executive's employment is terminated prior to a Change in Control of the Company, this Agreement shall be terminated and cancelled and of no further force and effect, and any and all rights and obligations of the parties hereunder shall cease.

(b) Anything in this Agreement to the contrary notwithstanding, if a Change in Control of the Company occurs and if the Executive's employment with the Employer is terminated (other than a termination due to the Executive's death or as a result of the Executive's disability) during the period of 90 days prior to the date on which the Change in Control of the Company occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control of the Company or (ii) otherwise arose in connection with or in anticipation of a Change in Control of the Company, then for all purposes of this Agreement such termination of employment shall be deemed a "Covered Termination," "Notice of Termination" shall be deemed to have been given, and the "Employment Period" shall be deemed to have begun on the date of such termination which shall be deemed to be the "Termination Date" and the date of the Change of Control of the Company for purposes of this Agreement.

3. Employment Period; Vesting of Certain Benefits. If a Change in Control of the Company occurs when the Executive is employed by the Employer, (a) the Employer will continue thereafter to employ the Executive during the Employment Period, and the Executive will remain in the employ of the Employer in accordance with and subject to the terms and provisions of this Agreement, and (b) (i) the Company shall cause all restrictions on restricted stock awards made to the Executive prior to the Change in Control to lapse such that the Executive is fully and immediately vested in his or her restricted stock at the time at which the Change in Control of the Company occurs, and (ii) the Company shall cause all unexercised stock options granted to the Executive prior to the Change in Control to be fully vested and exercisable in full at such time. Any termination of the Executive's employment during the Employment Period, whether by the Company or the Employer, shall be deemed a termination by the Company for purposes of this Agreement.

4. Duties. During the Employment Period, the Executive (a) shall, devote the Executive's best efforts and all of the Executive's business time, attention and skill to the business and affairs of the Employer and (b) shall be entitled to materially the same job function as held by the Executive at the time of the Change in Control of the Company or in such other job function or functions as shall be mutually agreed upon in writing by the Executive and the Employer from time to time. The services which are to be performed by the Executive hereunder are to be rendered in the same metropolitan area in which the Executive was employed at the date of such Change in Control of the Company, or in such other place or places as shall be mutually agreed upon in writing by the Executive and the Employer from time to time. Any travel incident to the Executive's job function shall not be deemed to result in a breach of the immediately preceding sentence by the Company.

5. Compensation. During the Employment Period, the Executive shall be compensated as follows:

(a) The Executive shall receive, at reasonable intervals (but not less often than monthly) and in accordance with such standard policies as may be in effect immediately prior to the Change in Control of the Company, an annual base salary in cash equivalent of not less than the Executive's highest annual base salary in effect at any time during the 90-day period immediately prior to the Change in Control of the Company, or if prior to the Change in Control of the Company, the Employer had approved an increase in such base salary to take effect after the Change in Control of the Company, at such higher rate beginning on the date on which such increase was to take effect (which base salary shall, unless otherwise agreed in writing by the Executive, include the current receipt by the Executive of any amounts which, prior to the Change in Control of the Company, the Executive had elected to defer, whether such compensation is deferred under Section 401(k) of the Code or otherwise), subject to adjustment as hereinafter provided in Section 6 (such salary amount as adjusted upward from time to time is hereafter referred to as the "Annual Base Salary").

(b) The Executive shall be reimbursed, at such intervals and in accordance with such standard policies that were in effect at any time during the 90-day period immediately prior to the Change in Control of the Company, for any and all monies advanced in connection with the Executive's employment for reasonable and necessary expenses incurred by the Executive on behalf of the Employer, including travel expenses.

(c) The Executive and/or the Executive's family, as the case may be, shall be included, to the extent eligible thereunder (which eligibility shall not be conditioned on the Executive's salary grade or on any other requirement which excludes persons of comparable status to the Executive unless such exclusion was in effect for such plan or an equivalent plan at any time during the 90-day period immediately prior to the Change in Control of the Company), in any and all plans providing benefits for the Employer's salaried employees in general, including but not limited to group life insurance, hospitalization, medical, dental, profit sharing and stock bonus plans.

(d) The Executive shall annually be entitled to not less than the amount of paid vacation and not fewer than the highest number of paid holidays to which the Executive was entitled annually at any time during the 90-day period immediately prior to the Change in Control of the Company.

(e) The Executive shall be included in all plans providing additional benefits to executives of the Employer of comparable status and position to the Executive, including but not limited to deferred compensation, split-dollar life insurance, supplemental retirement, stock option, stock appreciation, stock bonus and similar or comparable plans, and shall receive fringe benefits made available to executives of the Employer of comparable status and position to the Executive; provided, that, the Employer's obligation to include the Executive in bonus or incentive compensation plans shall be determined by Subsection 5(g) hereof.

(f) The aggregate annual value of the benefits made available to the Executive pursuant to Subsections 5(c) and (e) shall not be less than 75% of the highest aggregate annual value of the benefits of the type referred to in such Subsections that were made available to the Executive at any time during the 90-day period immediately prior to the Change in Control of the Company, except that if executives based in the United States of Affiliated Companies whose status and position with such Companies are approximately comparable to the Executive do not generally receive stock options, restricted stock or other stock-based compensation, during any period in which the Executive does not receive such benefits, (i) the highest aggregate value of the benefits during such 90-day period shall be computed without regard the value of stock options, restricted stock or other stock-based compensation, and (ii) the percentage in the preceding portion of this sentence shall be increased to 100% from 75%. The term "Affiliated Companies" means companies that become Affiliates of the Employer as a result of the Change in Control of the Company.

(g)(i) To assure that the Executive will have an opportunity to earn annual incentive compensation after a Change in Control of the Company, the Executive shall be included in a bonus plan of the Employer which shall satisfy the standards described below (such plan, the "Post-Change Bonus Plan"). Bonuses under the Post-Change Bonus Plan shall be payable annually with respect to achieving such annual financial or other goals reasonably related to the business of the Employer (or, in the case of an Executive whose primary responsibility is sales of the products of the Employer or an Affiliate, to the extent so provided by the Employer or the Affiliate, reasonably related to such sales) as the Employer shall establish (the "Goals"), all of which Goals that are determinable under objective standards shall be attainable on an annual basis with approximately the same degree of probability as the comparable goals under the Employer's bonus plan or plans as in effect at any time during the 90-day period immediately prior to the Change in Control of the Company (whether one or more, the "Pre-Change Company Bonus Plan") and in view of the Employer's existing and projected financial and business circumstances applicable at the time. The determination of whether any of the Goals that are determinable under subjective standards has been achieved shall be made by the Compensation Committee (as hereinafter defined). In the event a majority of the members of the Compensation Committee are not persons who were on the Compensation Committee or were officers of MGIC during the 90-day period prior to the date of the Change in Control of the Company or the highest ranking member of the Compensation Committee is not a person who was on the Compensation Committee during such 90-day period, none of the Goals shall be subjective. The term "Compensation Committee" means the Board of Directors of the Company, an appropriate committee thereof or a committee comprised of members of management of the Employer, in each case, in accordance with the Company's practice prior to the Change in Control of the Company with respect to executives of comparable position to the Executive.

(ii) The maximum amount of the bonus (the "Bonus Amount") that the Executive is eligible to earn under the Post-Change Bonus Plan shall be no less than the product of the Executive's Annual Base Salary multiplied by a percentage that is at least 75% of the percentage that determined the Executive's maximum award provided in the Pre-Change Company Bonus Plan (such maximum bonus amount herein referred to as the "Targeted Bonus"), and in the event the Goals (other than any objective Goal) are not achieved such that the entire Targeted Bonus is not payable, the Bonus Plan shall provide for a payment of a Bonus Amount equal to a portion of the Targeted Bonus reasonably related to that portion of the Goals which were achieved. The Bonus Amount earned shall be paid within 75 days after the end of the related fiscal year; at the option of the Employer, up to one-third of the Bonus Amount may be paid in restricted stock if the class of stock of which such restricted stock is a part is publicly-traded in an active market in the United States and such stock becomes fully vested by continued employment for a period of not more than one year after the date on which the Bonus Amount is paid.

6. Annual Compensation Adjustments. During the Employment Period, the Compensation Committee (as defined in Subsection 5(g)(i) hereof) will consider and appraise, annually, the contributions of the Executive to the Company, and in accordance with the Company's practice prior to the Change in Control of the Company, good faith consideration shall be given to the upward adjustment of the Executive's Annual Base Salary, annually.

7. Termination For Cause or Without Good Reason. If there is a Covered Termination for Cause or due to the Executive's voluntarily terminating his or her employment other than for Good Reason (any such terminations to be subject to the procedures set forth in Section 13 hereof), then the Executive shall be entitled to receive only Accrued Benefits pursuant to Section 9(a) hereof.

8. Termination Giving Rise to a Termination Payment.

(a) If there is a Covered Termination by the Executive for Good Reason, or by the Company other than by reason of (i) death, (ii) disability pursuant to Section 12 hereof, or (iii) Cause (any such terminations to be subject to the procedures set forth in Section 13 hereof), then the Executive shall be entitled to receive, and the Company shall promptly pay, Accrued Benefits and, in lieu of further Annual Base Salary for periods following the Termination Date, as liquidated damages and additional severance pay and in consideration of the covenant of the Executive set forth in Subsection 14(a) hereof, the Termination Payment pursuant to Subsection 9(b) hereof.

(b) If there is a Covered Termination and the Executive is entitled to Accrued Benefits and the Termination Payment, then the Company shall provide to the Executive the following additional benefits:

(i) The Executive shall receive, at the expense of the Company, outplacement services, on an individualized basis at a level of service commensurate with the Executive's status with the Company immediately prior to the date of the Change in Control of the Company (or, if higher, immediately prior to the termination of the Executive's employment), provided by a nationally recognized executive placement firm

selected by the Company; provided that the cost to the Company of such services shall not exceed 10% of the Executive's Annual Base Salary.

(ii) Until the earlier of the end of the Employment Period or such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the expense of the Company, by the same or equivalent life insurance, hospitalization, medical and dental coverage as was required hereunder with respect to the Executive immediately prior to the date the Notice of Termination is given.

(iii) The Company shall cause the Executive to be fully and immediately vested in his or her accrued benefit under any supplemental executive retirement plan of the Employer providing benefits for the Executive (the "SERP") and in any restricted stock paid as part of the Executive's Bonus Amount as contemplated by Subsection 5(g)(ii).

(iv) If the Executive is not fully vested in all accrued benefits under any defined contribution retirement plan of the Employer, the Company shall make a lump sum payment to the Executive in an amount equal to the difference between the fully vested amount of the Executive's account balances under such plan at the Termination Date and the vested amount of such balances at such time.

(v) The Company shall reimburse the Executive for up to an aggregate of \$10,000 in (A) tax preparation assistance fees for the tax year in which the Termination Payment is made and (B) fees and expenses of consultants and/or legal or accounting advisors engaged by the Executive to advise the Executive as to matters relating to the computation of benefits due and payable under Subsection 9(b).

9. Payments.

(a) Accrued Benefits. For purposes of this Agreement, the Executive's "Accrued Benefits" shall include the following amounts, payable as described herein: (i) all Annual Base Salary for the time period ending with the Termination Date; (ii) reimbursement for any and all monies advanced in connection with the Executive's employment for reasonable and necessary expenses incurred by the Executive on behalf of the Employer for the time period ending with the Termination Date; (iii) any and all other cash earned through the Termination Date and deferred at the election of the Executive or pursuant to any deferred compensation plan then in effect; (iv) a lump sum payment of the bonus or incentive compensation otherwise payable to the Executive with respect to the year in which termination occurs under all bonus or incentive compensation plan or plans in which the Executive is a participant; and (v) all other payments and benefits to which the Executive (or in the event of the Executive's death, the Executive's surviving spouse or other beneficiary) may be entitled as compensatory fringe benefits or under any benefit plan of the Employer, excluding severance payments under any Employer severance policy, practice or agreement in effect immediately prior to the Change in Control of the Company. Payment of

Accrued Benefits shall be made promptly in accordance with the Company's prevailing practice with respect to Subsections 9(a)(i) and (ii) or, with respect to Subsections 9(a)(iii), (iv) and (v), pursuant to the terms of the benefit plan or practice establishing such benefits.

(b) Termination Payment and Other Payments.

(i) The Termination Payment shall be an amount equal to (A) the Executive's Annual Base Salary (determined as of the time of the Change in Control of the Company or, if higher, immediately prior to the date the Notice of Termination is given) plus (B) an amount equal to the greater of the Executive's Targeted Bonus for the year in which the Termination Date occurs or the bonus the Executive received (x) for the year in which the Change in Control of the Company occurred or (y) for the year prior to the year in which the Change in Control of the Company occurred (each year described in clauses (x) and (y) is herein referred to as a "Prior Year") plus (C) an amount equal to the "actuarial equivalent" (as defined in the Company's defined benefit pension plan on the determination date) of the Executive's benefit accruals under the pension plan and the SERP for, whichever is greater, the year in which the Termination Date occurs or a Prior Year plus an amount equal to the Company's matching contribution and profit sharing contribution under the Company's defined contribution profit sharing and savings plan for, whichever is greater, the year in which the Termination Date occurs or a Prior Year (the aggregate amount set forth in (A), (B) and (C) hereof shall hereafter be referred to as "Annual Cash Compensation"), times (D) two less, if the Termination Date occurs more than three months after the date of Change in Control of the Company, the portion of the Employment Period that has elapsed at the Termination Date (measured by the number of months that have elapsed from the date of the Change in Control of the Company to the Termination Date divided by 33); provided, however, that such amount shall not be less than the severance benefits to which the Executive would have been entitled under the Company's severance policies and practices in effect immediately prior to the Change in Control of the Company. The Termination Payment shall be paid to the Executive in cash equivalent ten (10) business days after the Termination Date. Such lump sum payment shall not be reduced by any present value or similar factor, and the Executive shall not be required to mitigate the amount of the Termination Payment by securing other employment or otherwise, nor will such Termination Payment be reduced by reason of the Executive securing other employment or for any other reason. The Termination Payment shall be in lieu of, and acceptance by the Executive of the Termination Payment shall constitute the Executive's release of any rights of Executive to, any other severance payments under any Company severance policy, practice or agreement.

(ii) Notwithstanding any other provision of this Agreement, if any portion of any payment under this Agreement, or under any other agreement with or plan of the Employer, including payments that

may be deemed to have occurred on account of accelerated vesting of restricted stock or stock options under Section 3(b) hereof (in the aggregate "Total Payments"), would constitute an "excess parachute payment," the Company shall pay the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 of the Code, any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Total Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Subsection 9(b)(ii), shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

(iii) For purposes of this Agreement, the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to them in Section 280G of the Code and such "parachute payments" shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 1274(b)(2) of the Code (or any successor provision). Promptly following a Covered Termination or notice by the Company to the Executive of its belief that there is a payment or benefit due the Executive which will result in an excess parachute payment as defined in Section 280G of the Code (or if the Company fails to give such notice and the Executive furnishes notice to the Company setting forth computations in reasonable detail supporting the Executive's belief that there has been such an excess parachute payment, promptly after such notice by the Executive unless the Executive has withdrawn such notice after the Company's response to such computations), the Executive and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel ("National Tax Counsel") selected by the Company's independent auditors and reasonably acceptable to the Executive (which may be regular outside counsel to the Company), which opinion sets forth (i) the amount of the Base Period Income, (ii) the amount and present value of Total Payments, (iii) the amount and present value of any excess parachute payments, and (iv) the amount of any Gross-Up Payment. As used in this Agreement, the term "Base Period Income" means an amount equal to the Executive's "annualized includible compensation for the base period" as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of

Section 280G(d)(3) and (4) of the Code (or any successor provisions), which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Executive. The opinion of National Tax Counsel shall be addressed to the Company and the Executive and, subject to any adjustment pursuant to Subsection 9(b)(iv), shall be binding upon the Company and the Executive. If such National Tax Counsel so requests in connection with the opinion required by this Subsection 9(b) of Section 9, the Executive and the Company shall obtain, at the Company's expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive solely with respect to its status under Section 280G of the Code and the regulations thereunder. Within five (5) days after the National Tax Counsel's opinion is received by the Company and the Executive, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Executive such amounts as are then due to the Executive under this Agreement.

(iv) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Total Payments or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Executive after taking into account the provisions of Section 4999 of the Code shall reflect the intent of the parties as expressed in this Section 9, in the manner determined by the National Tax Counsel.

(v) The Company agrees to bear all costs associated with, and to indemnify and hold harmless, the National Tax Counsel of and from any and all claims, damages, and expenses resulting from or relating to its determinations pursuant to this Subsection 9(b), except for claims, damages or expenses resulting from the gross negligence or willful misconduct of such firm.

10. Death.

(a) Except as provided in Subsection 10(b) hereof, in the event of a Covered Termination due to the Executive's death, the Executive's estate, heirs and beneficiaries shall receive all the Executive's Accrued Benefits through the Termination Date.

(b) In the event the Executive dies after a Notice of Termination is given (i) by the Company or (ii) by the Executive for Good Reason, the Executive's estate, heirs and beneficiaries shall be entitled to the benefits described in Subsection 10(a) hereof and, subject to the provisions of this Agreement, to such Termination Payment as the Executive would have been entitled to had the Executive lived. For purposes of this Subsection 10(b), the Termination Date shall be the earlier of thirty days following the giving of the Notice of Termination, or one day prior to the end of the Employment Period.

11. Retirement. If, during the Employment Period, the Executive and the Employer shall execute an agreement providing for the early retirement of the Executive from the Employer, or the Executive shall otherwise give notice that he is voluntarily choosing to retire early from the Employer, the Executive shall receive Accrued Benefits through the Termination Date; provided, that if the Executive's employment is terminated by the Executive for Good Reason or by the Company other than by reason of death, disability or Cause and the Executive also, in connection with such termination, elects voluntary early retirement, the Executive shall also be entitled to receive a Termination Payment pursuant to Subsection 8(a) hereof.

12. Termination for Disability. If, during the Employment Period, as a result of the Executive's disability due to physical or mental illness or injury (regardless of whether such illness or injury is job-related), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for a period of six consecutive months and, within thirty days after the Company notifies the Executive in writing that it intends to terminate the Executive's employment (which notice shall not constitute the Notice of Termination contemplated below), the Executive shall not have returned to the performance of the Executive's duties hereunder on a full-time basis, the Company may terminate the Executive's employment for purposes of this Agreement pursuant to a Notice of Termination given in accordance with Section 13 hereof. If the Executive's employment is terminated on account of the Executive's disability in accordance with this Section, the Executive shall receive Accrued Benefits in accordance with Subsection 9(a) hereof and shall remain eligible for all benefits provided by any long term disability programs of the Company in effect at the time of such termination.

13. Termination Notice and Procedure. Any Covered Termination by the Company or the Executive (other than a termination of the Executive's employment that is a Covered Termination by virtue of Subsection 2(b) hereof) shall be communicated by a written notice of termination ("Notice of Termination") to the Executive, if such Notice is given by the Company, and to the Company, if such Notice is given by the Executive, all in accordance with the following procedures and those set forth in Section 23 hereof:

(a) If such termination is for disability, Cause or Good Reason, the Notice of Termination shall indicate in reasonable detail the facts and circumstances alleged to provide a basis for such termination.

(b) If the Notice is given by the Executive for Good Reason, the Executive may cease performing his duties hereunder on or after the date fifteen days after the delivery of Notice of Termination and shall in any event cease employment on the Termination Date. If the Notice is given by the Company, then the Executive may cease performing his duties hereunder on the date of receipt of the Notice of Termination, subject to the Executive's rights hereunder.

(c) To the extent provided by Subsection 1(m)(1), the Executive shall have ten days, or such longer period as the Company may determine to be appropriate, to cure any conduct or act, if curable, alleged to provide grounds for termination of the Executive's employment for Cause under this Agreement pursuant to Subsection 1(d) (iii) hereof.

(d) The recipient of any Notice of Termination shall personally deliver or mail in accordance with Section 23 hereof written notice of any dispute relating to such Notice of Termination to the party giving such Notice within fifteen days after receipt thereof; provided, however, that if the Executive's conduct or act alleged to provide grounds for termination by the Company for Cause is curable, then such period shall be thirty days. After the expiration of such period, the contents of the Notice of Termination shall become final and not subject to dispute.

14. Further Obligations of the Executive.

(a) Competition. The Executive agrees that, in the event of any Covered Termination where the Executive is entitled to Accrued Benefits and the Termination Payment, the Executive shall not, for a period expiring twelve months after the Termination Date, without the prior written approval of the Company's Board of Directors, participate in the management of, be employed by or own any business enterprise at a location within the United States that engages in substantial competition with MGIC, where such enterprise's revenues from any such competitive activities amount to 10% or more of such enterprise's net revenues and sales for its most recently completed fiscal year; provided, however, that nothing in this Subsection 14(a) shall prohibit the Executive from owning stock or other securities of a competitor amounting to less than five percent of the outstanding capital stock of such competitor.

(b) Confidentiality. During and following the Executive's employment by the Company, the Executive shall hold in confidence and not directly or indirectly disclose or use or copy or make lists of any confidential information or proprietary data of the Company (including that of the Employer), except to the extent authorized in writing by the Board of Directors of the Company or required by any court or administrative agency, other than to an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company. Confidential information shall not include any information known generally to the public or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that of the Company. All records, files, documents and materials, or copies thereof, relating to the business of the Company which the Executive shall prepare, or use, or come into contact with, shall be and remain the sole property of the Company and shall be promptly returned to the Company upon termination of employment with the Company.

15. Expenses and Interest. If, after a Change in Control of the Company, (i) a dispute arises with respect to the enforcement of the Executive's rights under this Agreement, (ii) any arbitration proceeding shall be brought to enforce or interpret any provision contained herein or to recover damages for breach hereof, or (iii) any legal proceeding shall be brought with respect to the arbitration provisions hereof, in each case so long as, and to the extent that, the Executive prevails in such proceeding, the Executive shall recover from the Company the reasonable attorneys' fees and necessary costs and disbursements incurred as a result of the dispute, arbitration or legal proceeding as to which the Executive has prevailed ("Expenses"), and prejudgment interest on any arbitration award obtained by the Executive calculated at the rate of interest announced by Firststar Bank Milwaukee, N.A., Milwaukee, Wisconsin (or its successor), from time to time at its prime or base lending rate from the date that payments to him or her should have been made under this Agreement. Any dispute as to the reasonableness of the Expenses incurred, or the extent to which the Executive has prevailed, shall be resolved by the arbitrator.

16. Payment Obligations Absolute. The Company's obligation during and after the Employment Period to pay the Executive the amounts and to make the benefit and other arrangements provided herein shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which the Company may have against him or anyone else. Except as provided in Section 15 of this Agreement, all amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company will not seek to recover all or any part of such payment from the Executive, or from whomsoever may be entitled thereto, for any reason whatsoever.

17. Successors.

(a) If the Company sells, assigns or transfers all or substantially all of its business and assets to any Person or if the Company merges into or consolidates or otherwise combines (where the Company does not survive such combination) with any Person (any such event, a "Sale of Business"), then the Company shall assign all of its right, title and interest in this Agreement as of the date of such event to such Person, and the Company shall cause such Person, by written agreement (an "Assumption Agreement"), to expressly assume and agree to perform from and after the date of such assignment all of the terms, conditions and provisions imposed by this Agreement upon the Company, and the Assumption Agreement shall be in form and substance reasonably satisfactory to the Executive (but if at the time of a Sale of Business, the chief executive officer of the Company or any officer of Company who is among the next four highest ranking officers of the Company has a Key Executive Employment and Severance Agreement, and any of such officers approves the Assumption Agreement, the Executive, if not one of such five officers, shall be deemed to have approved the Assumption Agreement). Failure of the Company to obtain an Assumption Agreement prior to the effective date of such Sale of Business shall be a breach of this Agreement constituting "Good Reason" hereunder, except that for purposes of implementing the foregoing the date upon which such Sale of Business becomes effective shall be deemed the Termination Date. In case of such assignment by the Company and of assumption and agreement by such Person, as used in this Agreement, "Company" shall thereafter mean such Person which executes and delivers the Assumption Agreement or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law, and this Agreement shall inure to the benefit of, and be enforceable by, such Person. The Executive shall, in his or her discretion, be entitled to proceed against any or all of such Persons, any Person which theretofore was such a successor to the Company and the Company (as so defined) in any action to enforce any rights of the Executive hereunder. Except as provided in this Subsection 17(a), this Agreement shall not be assignable by the Company. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company.

(b) This Agreement and all rights of the Executive shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, heirs and beneficiaries. All amounts payable to the Executive under Sections 7, 8, 9, 10, 11, 12 and 15 hereof if the Executive had lived shall be paid, in the event of the Executive's death, to the Executive's estate, heirs and representatives; provided, however, that the foregoing shall not be construed to modify any terms of any benefit plan of the Employer, as such terms are in effect on the date of the Change in Control of the Company, that expressly govern benefits under such plan in the event of the Executive's death.

18. Severability. The provisions of this Agreement shall be regarded as divisible, and if any of said provisions or any part hereof are declared invalid or unenforceable by a court of competent jurisdiction, the validity and enforceability of the remainder of such provisions or parts hereof and the applicability thereof shall not be affected thereby.

19. Contents of Agreement; Waiver of Rights; Amendment. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof, and the Executive hereby waives all rights under any prior or other agreement or understanding between the parties with respect to such subject matter. Any implication to the contrary in the preceding sentence notwithstanding, this Agreement shall not affect the Executive's obligations under non-competition or confidentiality agreement with the Company, the Employer or MGIC. This Agreement may not be amended or modified at any time except by written instrument executed by the Company and the Executive.

20. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; provided, that the amount so withheld shall not exceed the minimum amount required to be withheld by law. The Company shall be entitled to rely on an opinion of the National Tax Counsel if any question as to the amount or requirement of any such withholding shall arise.

21. Certain Rules of Construction. No party shall be considered as being responsible for the drafting of this Agreement for the purpose of applying any rule construing ambiguities against the drafter or otherwise. No draft of this Agreement shall be taken into account in construing this Agreement. Any provision of this Agreement which requires an agreement in writing shall be deemed to require that the writing in question be signed by the Executive and an authorized representative of the Company.

22. Governing Law; Resolution of Disputes. This Agreement and the rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Wisconsin applicable to contracts made therein between residents thereof. Any dispute arising out of this Agreement shall be determined by arbitration under the rules of the American Arbitration Association then in effect. The venue for the arbitration (and any legal action to enforce the foregoing obligation to arbitrate) shall be Milwaukee, Wisconsin or, if the Executive is not then residing or working in the Milwaukee, Wisconsin metropolitan area, in the judicial district encompassing the city in which the Executive resides; provided, that, if the Executive is not then residing in the United States, the election of the Executive with respect to such venue shall be either Milwaukee, Wisconsin or in the judicial district encompassing that city in the United States among the thirty cities having the largest population (as determined by the most recent United States Census data available at the Termination Date) which is closest to the Executive's residence. For purposes of any legal action to enforce the foregoing obligation to arbitrate, the parties consent to personal jurisdiction in each trial court in the selected venue having subject matter jurisdiction notwithstanding their residence or situs, and each party irrevocably consents to service of process in the manner provided hereunder for the giving of notices.

23. Notice. Notices given pursuant to this Agreement shall be in writing and, except as otherwise provided by Subsection 13(d) hereof, shall be deemed given when actually

received by the Executive or actually received by the Company's Secretary or any officer of the Company other than the Executive. If mailed, such notices shall be mailed by United States registered or certified mail, return receipt requested, addressee only, postage prepaid, if to the Company, to MGIC Investment Corporation, Attention: Secretary (or President, if the Executive is then Secretary), 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202, or if to the Executive, at the address set forth below the Executive's signature to this Agreement, or to such other address as the party to be notified shall have theretofore given to the other party in writing.

24. No Waiver. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

25. Headings. The headings herein contained are for reference only and shall not affect the meaning or interpretation of any provision of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

MGIC INVESTMENT CORPORATION

By: _____

Name: Curt S. Culver
Title: President

Attest: _____

Name: Jeffrey H. Lane
Title: Secretary

EXECUTIVE:

_____(SEAL)

Address: _____

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
 STATEMENT RE COMPUTATION OF PER SHARE EARNINGS (1)
 For The Years Ended December 31, 1999, 1998 and 1997

	1999 -----	1998 -----	1997 -----
	(In thousands, except per share data)		
BASIC EARNINGS PER SHARE			
Average common shares outstanding	108,061 =====	112,135 =====	116,332 =====
Net income	\$ 470,201 =====	\$ 385,465 =====	\$ 323,750 =====
Net income per share	\$ 4.35 =====	\$ 3.44 =====	\$ 2.78 =====
DILUTED EARNINGS PER SHARE			
Adjusted shares outstanding:			
Average common shares outstanding	108,061	112,135	116,332
Net shares to be issued upon exercise of common stock equivalents	1,197 -----	1,447 -----	1,592 -----
Adjusted shares outstanding	109,258 =====	113,582 =====	117,924 =====
Net income	\$ 470,201 =====	\$ 385,465 =====	\$ 323,750 =====
Net income per share	\$ 4.30 =====	\$ 3.39 =====	\$ 2.75 =====

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

MGIC INVESTMENT CORPORATION & SUBSIDIARIES -- YEARS ENDED DECEMBER 31, 1999,
1998, 1997, 1996 AND 1995

-----Five-Year Summary of Financial Information-----

	1999	1998	1997	1996	1995
(In thousands of dollars, except per share data)					
Summary of Operations					
Revenues:					
Net premiums written.....	\$ 792,345	\$ 749,161	\$ 690,248	\$ 588,927	\$ 480,312
Net premiums earned.....	\$ 792,581	\$ 763,284	\$ 708,744	\$ 617,043	\$ 506,500
Investment income, net.....	153,071	143,019	123,602	105,355	87,543
Realized investment gains, net.....	3,406	18,288	3,261	1,220	1,496
Other revenue.....	47,697	47,075	32,665	22,013	22,347
Total revenues.....	996,755	971,666	868,272	745,631	617,886
Losses and expenses:					
Losses incurred, net.....	97,196	211,354	242,362	234,350	189,982
Underwriting and other expenses.....	200,779	190,031	157,194	146,483	137,559
Interest expense.....	20,402	18,624	6,399	3,793	3,821
Ceding commission.....	(2,632)	(2,928)	(3,056)	(4,023)	(4,885)
Total losses and expenses.....	315,745	417,081	402,899	380,603	326,477
Income before tax.....	681,010	554,585	465,373	365,028	291,409
Provision for income tax.....	210,809	169,120	141,623	107,037	83,844
Net income.....	\$ 470,201	\$ 385,465	\$ 323,750	\$ 257,991	\$ 207,565
Weighted average common shares					
outstanding (in thousands) (1).....	109,258	113,582	117,924	119,046	118,567
Diluted earnings per share (1).....	\$ 4.30	\$ 3.39	\$ 2.75	\$ 2.17	\$ 1.75
Dividends per share (1).....	\$.10	\$.10	\$.095	\$.08	\$.08
Balance sheet data					
Total investments.....	\$ 2,789,734	\$ 2,779,706	\$ 2,416,740	\$ 2,036,234	\$ 1,687,221
Total assets.....	3,104,393	3,050,541	2,617,687	2,222,315	1,874,719
Loss reserves.....	641,978	681,274	598,683	514,042	371,032
Long-term notes payable.....	425,000	442,000	237,500	-	35,799
Shareholders' equity.....	1,775,989	1,640,591	1,486,782	1,366,115	1,121,392
Book value per share.....	16.79	15.05	13.07	11.59	9.56

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

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

one

MGIC INVESTMENT CORPORATION & SUBSIDIARIES -- YEARS ENDED DECEMBER 31, 1999,
1998, 1997, 1996 AND 1995

-----Five-Year Summary of Financial Information-----

	1999	1998	1997	1996	1995
New primary insurance written (\$ millions)...	\$ 46,953	\$ 43,697	\$ 32,250	\$ 32,756	\$ 30,277
New primary risk written (\$ millions).....	11,422	10,850	8,305	8,305	7,599
New pool risk written (\$ millions).....	564	618	394	2	1
Insurance in force (at year-end) (\$ millions)					
Direct primary insurance.....	147,607	137,990	138,497	131,397	120,341
Direct primary risk.....	35,623	32,891	32,175	29,308	25,502
Direct pool risk.....	1,557	1,133	590	232	254
Primary loans in default ratios					
Policies in force.....	1,370,020	1,320,994	1,342,976	1,299,038	1,219,304
Loans in default.....	29,761	29,253	28,493	25,034	19,980

Percentage of loans in default.....	2.17%	2.21%	2.12%	1.93%	1.64%
Insurance operating ratios (GAAP)					
Loss ratio.....	12.3%	27.7%	34.2%	38.0%	37.5%
Expense ratio.....	19.7%	19.6%	18.4%	21.6%	24.6%
	-----	-----	-----	-----	-----
Combined ratio.....	32.0%	47.3%	52.6%	59.6%	62.1%
	=====	=====	=====	=====	=====
Risk-to-capital ratios (statutory)					
Combined insurance subsidiaries.....	12.9:1	13.6:1	16.4:1	18.8:1	19.9:1
MGIC.....	11.9:1	12.9:1	15.7:1	18.1:1	19.1:1

two

Management's Discussion and Analysis

Results of Consolidated Operations 1999 Compared with 1998

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

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

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

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

In December 1999, a complaint seeking class action status on behalf of a nationwide class of home mortgage borrowers was filed against MGIC in Federal District Court in Augusta, Georgia (the "RESPA Litigation"). The complaint in the RESPA Litigation alleges that MGIC violated the Real Estate Settlement Procedures Act ("RESPA") by providing agency pool insurance and entering into other transactions with lenders that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid for the mortgage insurance that is found to be involved in a violation of RESPA. In February 2000, MGIC answered the complaint and denied liability. There can be no assurance, however, that the ultimate outcome of the RESPA Litigation will not materially affect the Company.

Cancellation activity has historically been affected by the level of mortgage interest rates, with cancellations generally moving inversely to the change in the direction of interest rates. Cancellations decreased during 1999 due to increasing mortgage interest rates which resulted in an increase in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 72.9% at December 31, 1999, from 68.1% at December 31, 1998. Future cancellation activity could be somewhat higher than it otherwise would have been as a result of legislation that went into effect in July 1999 regarding cancellation of mortgage insurance.

Net premiums written increased 6% to \$792.3 million in 1999, from \$749.2 million in 1998. Net premiums earned increased 4% to \$792.6 million in 1999, from \$763.3 million in

1998. The increases were primarily a result of a higher percentage of renewal premiums on mortgage loans with deeper coverages and the growth in insurance in force offset by an increase in ceded premiums to \$26.2 million in 1999, compared to \$14.8 million in 1998, primarily due to an increase in captive mortgage reinsurance.

Mortgages (newly insured during 1999 or 1998) equal to approximately 32% of MGIC's new insurance written during 1999 were subject to captive mortgage reinsurance and similar arrangements compared to 16% during 1998. Such arrangements entered into during a reporting period customarily include loans newly insured in a prior reporting period. As a result, the percentages cited above would be lower if only the current reporting period's newly insured mortgages subject to such arrangements were included. The percentage of new insurance written subject to captive mortgage reinsurance arrangements is expected to increase during 2000 as new transactions are consummated. At December 31, 1999 approximately 15% of MGIC's risk in force was subject to captive reinsurance and similar arrangements compared to 7% at December 31, 1998. In a February 1999 circular letter, the New York Department of Insurance said it was in the process of developing guidelines that would articulate the parameters under which captive mortgage reinsurance is permissible under New York insurance law. The complaint in the RESPA Litigation alleges that MGIC pays "inflated" captive mortgage reinsurance premiums in violation of RESPA.

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

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

In March 1999, the Office of Federal Housing Enterprise Oversight ("OFHEO") released a proposed risk-based capital stress test for the GSEs. One of the elements of the proposed stress test is that future claim payments made by a private mortgage insurer on GSE loans are reduced below the amount provided by the mortgage insurance policy to reflect the risk that the insurer will fail to pay. Claim payments from an insurer whose claims-paying ability rating is 'AAA' are subject to a 10% reduction over the 10-year period of the stress test, while claim payments from a 'AA' rated insurer, such as MGIC, are subject to a 20% reduction. The effect of the differentiation among insurers is to require the GSEs to have additional capital for coverage on loans provided by a private mortgage insurer

whose claims-paying rating is less than 'AAA.' As a result, if adopted as proposed, there is an incentive for the GSEs to use private mortgage insurance provided by a 'AAA' rated insurer. The Company does not believe there should be a reduction in claim payments from private mortgage insurance nor should there be a distinction between 'AAA' and 'AA' rated private mortgage insurers. The proposed stress test covers many topics in addition to capital credit for private mortgage insurance and is not expected to become final for some time. If the stress test ultimately gives the GSEs an incentive to use 'AAA' mortgage insurance, MGIC may need 'AAA' capacity, which in turn would entail using capital to support such a facility as well as additional expenses. The Company cannot predict whether the portion of the stress test discussed above will be adopted in its present form.

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

Other revenue, which is composed of various components, was \$47.7 million in 1999, compared with \$47.1 million in 1998. The change is primarily the result of an increase in equity earnings from Credit-Based Asset Servicing and Securitization LLC and Litton Loan Servicing LP (collectively, "C-BASS"), a joint venture with Enhance Financial Services Group Inc. ("Enhance"), offset by equity losses from two joint ventures formed in 1999, Sherman Financial Group LLC, ("Sherman," another joint venture with Enhance) and Customers Forever LLC ("Customers Forever," a joint venture with Marshall & Ilsley Corporation) and a decrease in contract underwriting revenue.

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

At December 31, 1999 the Company had contributed approximately \$54 million of capital to C-BASS. Total combined assets of C-BASS at December 31, 1999 and 1998 were approximately \$934 million and \$623 million, respectively, of which approximately \$773 million and \$550 million, respectively, were mortgage-related assets, including open trades. Total liabilities at December 31, 1999 and 1998 were approximately \$744 million and \$468 million, respectively, of which approximately \$617 million and \$459 million, respectively, were funding arrangements, including accrued interest. For the years ended December 31, 1999 and 1998, revenues of approximately \$112 million and \$70 million, respectively, and expenses of approximately \$72 million and \$44 million, respectively,

resulted in income before tax of approximately \$40 million and \$26 million, respectively.

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

Customers Forever, established during the third quarter of 1999, is an Internet-focused transaction service company dedicated to helping large residential mortgage servicers retain and enhance relationships with their customers nationwide.

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

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

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

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

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

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

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

1998 Compared with 1997

Net income for 1998 was \$385.5 million, compared with \$323.8 million in 1997, an increase of 19%. Diluted earnings per share for 1998 was \$3.39, compared with \$2.75 in 1997, an increase of 23%. The percentage increase in diluted earnings per share was favorably affected by the lower adjusted shares outstanding in 1998 as a result of common stock repurchased by the Company in the second half of 1997 and during 1998.

The amount of new primary insurance written by MGIC during 1998 was \$43.7 billion, compared with \$32.2 billion in 1997. Reflecting the favorable mortgage interest rate environment that prevailed throughout 1998, refinancing activity accounted for 31% of new primary insurance written in 1998, compared to 15% in 1997.

The \$43.7 billion of new primary insurance written during 1998 was offset by the cancellation of \$44.2 billion of insurance in force, and resulted in a net decrease of \$0.5 billion in primary insurance in force, compared to new primary insurance written of \$32.2 billion, cancellation of \$25.1 billion, and a net increase of \$7.1 billion in insurance in force during 1997. Direct primary insurance in force was \$138.0 billion at December 31, 1998, compared to \$138.5 billion at December 31, 1997. In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during 1998 and 1997, which was virtually all agency pool insurance, was \$618.1 million and \$394.4 million, respectively. The Company's direct pool risk in force at December 31, 1998 was \$1.1 billion compared to \$590.3 million at December 31, 1997.

Cancellation activity has historically been affected by the level of mortgage interest rates and increased during 1998 due to favorable mortgage interest rates which resulted in a decrease in the MGIC persistency rate to 68.1% at December 31, 1998, from 80.9% at December 31, 1997.

Net premiums written increased 9% to \$749.2 million in 1998, from \$690.2 million in 1997. Net premiums earned increased 8% to \$763.3 million in 1998, from \$708.7 million in 1997. The increases were primarily a result of a higher percentage of renewal premiums on mortgage loans with deeper coverages.

For a discussion of captive mortgage reinsurance and similar arrangements, certain programs with the GSEs regarding mortgage insurance and proposed capital regulations for the GSEs, see the 1999 compared with 1998 discussion.

Investment income for 1998 was \$143.0 million, an increase of 16% over the \$123.6 million in 1997. This increase was primarily the result of an increase in the amortized cost of average investment assets to \$2.5 billion for 1998, from \$2.1 billion for 1997, an increase of 16%. The increase was partially offset by a decrease in the portfolio's average pre-tax investment yield to 5.6% in 1998 from 5.8% in 1997. The portfolio's average after-tax investment yield was 4.9% for 1998 compared to 5.0% for 1997. The Company realized gains of \$18.3 million during 1998 compared to \$3.3 million in 1997. The increase

is primarily the result of the sale of equity securities in 1998.

Other revenue was \$47.1 million in 1998, compared with \$32.7 million in 1997. The increase is primarily the result of an increase in contract underwriting revenue of \$11.8 million and an increase of \$5.3 million in equity earnings from C-BASS, a joint venture with Enhance Financial Services Group Inc., offset by a \$2.7 million reduction in fee-based services under government contracts. In accordance with generally accepted accounting principles, C-BASS is required to mark to market its mortgage related assets which, including open trades, were \$550 million at December 31, 1998. Substantially all of these mortgage-related assets do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of C-BASS. Market valuation adjustments could impact the Company's share of C-BASS's results of operations.

Net losses incurred decreased 13% to \$211.4 million in 1998, from \$242.4 million in 1997. Such decrease was primarily attributable to an increase in the redundancy in prior year loss reserves, generally favorable economic conditions throughout the country and only a moderate increase in the primary notice inventory from 28,493 at December 31, 1997 to 29,253 at December 31, 1998. The redundancy results from actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1997. The pool notice inventory increased from 2,098 at December 31, 1997 to 6,524 at December 31, 1998, attributable to defaults on new agency pool insurance written during 1997 and 1998. At December 31, 1998, 60% of the primary insurance in force was written during the last three years, compared to 57% at December 31, 1997. The highest claim frequency years have typically been the third through fifth years after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from the historical pattern of other loans.

Underwriting and other expenses increased 21% in 1998 to \$190.0 million from \$157.2 million in 1997. This increase was primarily due to increases associated with contract and field office underwriting expenses and an increase in premium tax due to higher premiums written.

Interest expense in 1998 increased to \$18.6 million from \$6.4 million in 1997 due to higher outstanding notes payable, the proceeds of which were used to repurchase common stock.

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

The consolidated insurance operations loss ratio was 27.7% for 1998 compared to 34.2% for 1997. The consolidated insurance operations expense and combined ratios were 19.6% and 47.3%, respectively, for 1998 compared to 18.4% and 52.6%, respectively, for 1997.

The effective tax rate was 30.5% in 1998, compared with 30.4% in 1997. During both years, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investment income. The higher effective tax rate in 1998 resulted from a lower percentage of total income before tax being generated from tax-preferenced investments in 1998.

Financial Condition

Consolidated total investments were \$2.8 billion at December 31, 1999 and December 31, 1998. During 1999, positive net cash flow of approximately \$220 million was offset by unrealized losses on securities marked to market of \$208.2 million. The Company generated consolidated cash flows from operating activities of \$455.0 million during 1999, compared to \$411.8 million generated during 1998. The difference between the \$220 million of positive net cash flow and the \$455 million of positive cash flow from operating activities is primarily the result of cash used in financing activities. The increase in operating cash flows during 1999 compared to 1998 is due primarily to an increase in renewal premiums and investment income and a decrease in losses paid offset by an increase in underwriting expenses. As of December 31, 1999, the Company had \$107.7 million of short-term investments with maturities of 90 days or less, and 75% of the portfolio was invested in tax-preferred securities. In addition, at December 31, 1999, 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 December 31, 1999 the Company had \$15.4 million of investments in equity securities compared to \$4.6 million at December 31, 1998.

At December 31, 1999, the Company had no derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At December 31, 1999, the average duration of the Company's investment portfolio was 6.6 years. The effect of a 1% increase/decrease in market interest rates would result in a 6.6% decrease/increase in the value of the Company's fixed income portfolio.

The Company's investments in joint ventures increased \$26.2 million from \$75.3 million at December 31, 1998 to \$101.5 million at December 31, 1999 as a result of additional investments of \$13.6 million and equity earnings of \$12.6 million.

Consolidated loss reserves decreased 6% to \$642.0 million at December 31, 1999 from \$681.3 million at December 31, 1998, reflecting a reduction in the primary and pool reserve factors partially offset by increases in the primary and pool insurance notice inventories all of which were discussed earlier. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default.

Consolidated unearned premiums decreased \$2.3 million from \$183.7 million at December 31, 1998, to \$181.4 million at December 31, 1999, primarily reflecting the continued high level of monthly premium policies written (for which there is no unearned premium) offset by an increase in unearned premiums for agency pool insurance written.

Consolidated shareholders' equity increased to \$1.8 billion at December 31, 1999, from \$1.6 billion at December 31, 1998, an increase of 8%. This increase consisted of \$470.2 million of net income during 1999 and \$11.9 million from the reissuance of treasury stock, offset by the repurchase of \$200.5 million of outstanding common shares, unrealized losses on investments, net of tax, of \$135.3 million and dividends declared of \$10.8 million.

Liquidity and Capital Resources

The Company's consolidated sources of funds consist primarily of premiums written and investment income. Funds are applied primarily to the payment of claims and expenses. Approximately 71% of underwriting expenses are personnel-related costs, most of which are considered by the Company to be fixed costs over the short term. Approximately 6% of operating expenses relate to occupancy costs, which are fixed costs. Substantially all of the remaining operating expenses are considered by the Company to be variable in nature, with data processing costs and taxes, licenses and fees representing approximately 3% and 8%, respectively, of total operating expenses. The Company generated positive cash flows of approximately \$455.0 million, \$411.8 million and \$374.0 million in 1999, 1998 and 1997, respectively, as shown on the Consolidated Statement of Cash Flows. Positive cash flows are invested pending future payments of claims and other expenses. Cash-flow shortfalls, if any, could be funded through sales of short-term investments and other investment portfolio securities.

During 1999, 1998 and 1997, the Company repurchased approximately 3.6 million, 5.3 million and 4.7 million shares, respectively, of its outstanding common stock at a cost of approximately \$201 million, \$247 million and \$248 million, respectively. Funds to repurchase the shares in 1997 and 1998 were primarily provided by borrowings under credit facilities evidenced by notes payable. The shares repurchased in 1999 were funded with a \$150 million special dividend from MGIC and cash flow. The Company cannot predict whether it will repurchase additional shares in 2000.

The 1997 and 1998 credit facilities provide up to \$200 million and \$225 million, respectively, of availability at December 31, 1999. The 1997 credit facility will decrease by \$25 million each year through June 20, 2001. Any outstanding borrowings under this facility mature on June 20, 2002. The 1998 credit facility will decrease by \$25 million each year through June 9, 2002. Any outstanding borrowings under this facility mature on June 9, 2003. The Company has the option on notice to lenders, to prepay any borrowings under the agreements subject to certain provisions. In addition to the 1997 and 1998 credit facilities, the Company entered into a \$100 million credit facility in November 1999. At December 31, 1999, there were no outstanding borrowings under this facility.

MGIC had guaranteed one half of a \$50 million credit facility for C-BASS that was repaid in July 1999. MGIC is guaranteeing one half of a \$50 million credit facility for Sherman that is scheduled to expire in June 2000. The Company expects it will provide additional funding to the joint ventures.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 11.9:1 at December 31, 1999 compared to 12.9:1 at December 31, 1998. The decrease was due to MGIC's increased policyholders' reserves, partially offset by the net additional risk in force of \$2.5 billion, net of reinsurance, during 1999.

The Company's combined insurance risk-to-capital ratio was 12.9:1 at December 31, 1999, compared to 13.6:1 at December 31, 1998. The decrease was due to the same reasons as described above.

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.

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

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

Risk Factors

The Company and its business may be materially affected by the factors discussed below. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that the Company may make.

Reductions in the volume of low down payment home mortgage originations may adversely affect the amount of private mortgage insurance (PMI) written by the PMI industry. The factors that affect the volume of low down payment mortgage originations include:

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

By selecting alternatives to PMI, lenders and investors may adversely affect the amount of PMI written by the PMI industry. These alternatives include:

- o government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration,
- o holding mortgages in portfolio and self-insuring,
- o use of credit enhancements by investors, including Fannie Mae and Freddie Mac, other than PMI or using other credit enhancements in conjunction with reduced levels of PMI coverage, and
- o mortgage originations structured to avoid PMI, 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.

Fannie Mae and Freddie Mac have a material impact on the PMI industry. Because Fannie Mae and Freddie Mac are the largest purchasers of low down payment conventional mortgages, the business practices of these GSEs have a direct effect on private mortgage insurers. These practices affect the entire relationship between the GSEs and mortgage insurers and include:

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

The Company expects the level of competition within the PMI industry to remain intense. Competition for PMI premiums occurs not only among private mortgage insurers but increasingly with mortgage lenders through captive mortgage reinsurance transactions in which a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated by the lender. The level of competition within the PMI 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 as consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders.

Changes in interest rates, house prices and cancellation policies may materially affect persistency. In each year, most of MGIC's premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force is an important determinant of revenues. The factors affecting persistency of the insurance in force include:

- o 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
- o 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.

The strong economic climate that has existed throughout the United States for some time has favorably impacted losses and encouraged competition to assume default risk. Losses result from events that adversely affect 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 significant deterioration in economic conditions would adversely affect MGIC's losses. The low level of losses that has recently prevailed in the private

mortgage insurance industry has encouraged competition to assume default risk through captive reinsurance arrangements, self-insurance, 80-10-10 loans and other means.

Litigation against mortgage lenders and settlement service providers has been increasing. In recent years, consumers have brought a growing number of lawsuits against home mortgage lenders and settlement service providers seeking monetary damages. In particular, MGIC is a defendant in a lawsuit filed in December 1999 alleging violations of the Real Estate Settlement Procedures Act ("RESPA"). The lawsuit seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid for the mortgage insurance that is found to be involved in a violation of RESPA. There can be no assurance that the lawsuit against MGIC will not have a material adverse effect on the Company.

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

thirteen

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

Consolidated Statement of Operations

	1999	1998	1997
	(In thousands of dollars, except per share data)		
REVENUES:			
Premiums written:			
Direct.....	\$ 816,351	\$ 755,620	\$ 692,134
Assumed.....	2,215	8,352	11,597
Ceded (note 7).....	(26,221)	(14,811)	(13,483)
Net premiums written.....	792,345	749,161	690,248
Decrease in unearned premiums.....	236	14,123	18,496
Net premiums earned (note 7).....	792,581	763,284	708,744
Investment income, net of expenses (note 4).....	153,071	143,019	123,602
Realized investment gains, net (note 4).....	3,406	18,288	3,261
Other revenue.....	47,697	47,075	32,665
Total revenues.....	996,755	971,666	868,272
LOSSES AND EXPENSES:			
Losses incurred, net (notes 6 and 7).....	97,196	211,354	242,362
Underwriting and other expenses.....	200,779	190,031	157,194
Interest expense.....	20,402	18,624	6,399
Ceding commission (note 7).....	(2,632)	(2,928)	(3,056)
Total losses and expenses.....	315,745	417,081	402,899
Income before tax.....	681,010	554,585	465,373
Provision for income tax (note 10).....	210,809	169,120	141,623
Net income.....	\$ 470,201	\$ 385,465	\$ 323,750
Earnings per share (note 11):			
Basic.....	\$ 4.35	\$ 3.44	\$ 2.78
Diluted.....	\$ 4.30	\$ 3.39	\$ 2.75

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
December 31, 1999 and 1998

Consolidated Balance Sheet

	1999	1998
	----- (In thousands of dollars) -----	
ASSETS		

Investment portfolio (note 4):		
Securities, available-for-sale, at market value:		
Fixed maturities.....	\$ 2,666,562	\$ 2,602,870
Equity securities.....	15,426	4,627
Short-term investments.....	107,746	172,209
	-----	-----
Total investment portfolio.....	2,789,734	2,779,706
Cash	2,322	4,650
Accrued investment income.....	46,713	41,477
Reinsurance recoverable on loss reserves (note 7).....	35,821	45,527
Reinsurance recoverable on unearned premiums (note 7).....	6,630	8,756
Home office and equipment, net.....	32,880	32,400
Deferred insurance policy acquisition costs.....	22,350	24,065
Investments in joint ventures (note 8).....	101,545	75,246
Other assets.....	66,398	38,714
	-----	-----
Total assets.....	\$ 3,104,393	\$ 3,050,541
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Liabilities:		
Loss reserves (notes 6 and 7).....	\$ 641,978	\$ 681,274
Unearned premiums (note 7).....	181,378	183,739
Notes payable (note 5).....	425,000	442,000
Other liabilities.....	80,048	102,937
	-----	-----
Total liabilities.....	1,328,404	1,409,950
	-----	-----
Contingencies (note 13)		
Shareholders' equity (note 11):		
Common stock, \$1 par value, shares authorized 300,000,000; shares issued 121,110,800; outstanding 1999 - 105,798,034; 1998 - 109,003,032.....	121,111	121,111
Paid-in surplus.....	211,593	217,022
Treasury stock (shares at cost 1999 - 15,312,766; 1998 - 12,107,768).....	(665,707)	(482,465)
Accumulated other comprehensive income - unrealized (depreciation) appreciation in investments, net of tax (note 2).....	(40,735)	94,572
Retained earnings (note 11).....	2,149,727	1,690,351
	-----	-----
Total shareholders' equity.....	1,775,989	1,640,591
	-----	-----
Total liabilities and shareholders' equity.....	\$ 3,104,393	\$ 3,050,541
	=====	=====

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
Years Ended December 31, 1999, 1998 and 1997

Consolidated Statement of Shareholders' Equity

	Common stock	Paid-in surplus	Treasury stock	Accumulated other comprehensive income(note 2)	Retained earnings	Comprehensive income
	(In thousands of dollars)					
Balance, December 31, 1996.....	\$ 121,111	\$ 207,984	\$ (7,073)	\$ 40,685	\$ 1,003,408	
Net income.....	-	-	-	-	323,750	\$ 323,750
Unrealized investment gains, net...	-	-	-	43,300	-	43,300
Comprehensive income.....	-	-	-	-	-	\$ 367,050
Dividends declared.....	-	-	(248,426)	-	(11,029)	
Reissuance of treasury stock.....	-	10,515	2,557	-	-	
Balance, December 31, 1997.....	121,111	218,499	(252,942)	83,985	1,316,129	
Net income.....	-	-	-	-	385,465	\$ 385,465
Unrealized investment gains, net...	-	-	-	10,587	-	10,587
Comprehensive income.....	-	-	-	-	-	\$ 396,052
Dividends declared.....	-	-	-	-	(11,243)	
Repurchase of outstanding common shares.....	-	-	(246,840)	-	-	
Reissuance of treasury stock.....	-	(1,477)	17,317	-	-	
Balance, December 31, 1998.....	121,111	217,022	(482,465)	94,572	1,690,351	
Net income.....	-	-	-	-	470,201	\$ 470,201
Unrealized investment losses, net..	-	-	-	(135,307)	-	(135,307)
Comprehensive income.....	-	-	-	-	-	\$ 334,894
Dividends declared.....	-	-	-	-	(10,825)	
Repurchase of outstanding common shares.....	-	-	(200,533)	-	-	
Reissuance of treasury stock.....	-	(5,429)	17,291	-	-	
Balance, December 31, 1999.....	\$ 121,111	\$ 211,593	\$ (665,707)	\$ (40,735)	\$ 2,149,727	

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
Years Ended December 31, 1999, 1998 and 1997

Consolidated Statement of Cash Flows

	1999	1998	1997
	(In thousands of dollars)		
Cash flows from operating activities:			
Net income.....	\$ 470,201	\$ 385,465	\$ 323,750
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred insurance policy acquisition costs.....	16,822	20,717	21,373
Increase in deferred insurance policy acquisition costs.....	(15,107)	(17,626)	(16,573)
Depreciation and other amortization.....	11,746	7,742	8,187
Increase in accrued investment income.....	(5,236)	(5,992)	(2,122)
Decrease (increase) in reinsurance recoverable on loss reserves.....	9,706	(19,112)	3,412
Decrease in reinsurance recoverable on unearned premiums.....	2,126	483	2,506
(Decrease) increase in loss reserves.....	(39,296)	82,591	84,641
Decrease in unearned premiums.....	(2,361)	(14,566)	(21,002)
Equity earnings in joint ventures.....	(12,700)	(12,420)	(7,100)
Other.....	19,114	(15,500)	(23,023)
Net cash provided by operating activities.....	455,015	411,782	374,049
Cash flows from investing activities:			
Purchase of equity securities.....	(14,035)	(3,886)	(112,780)
Purchase of fixed maturities.....	(1,223,599)	(916,129)	(685,217)
Investments in joint ventures.....	(13,599)	(33,426)	(7,350)
Proceeds from sale of equity securities.....	4,150	116,164	9,971
Proceeds from sale or maturity of fixed maturities.....	949,723	529,358	447,284
Net cash used in investing activities.....	(297,360)	(307,919)	(348,092)
Cash flows from financing activities:			
Dividends paid to shareholders.....	(10,825)	(11,243)	(11,029)
Net (decrease) increase in notes payable.....	(17,000)	204,500	202,076
Reissuance of treasury stock.....	3,912	6,953	7,073
Repurchase of common stock.....	(200,533)	(246,840)	(248,426)
Net cash used in financing activities.....	(224,446)	(46,630)	(50,306)
Net increase (decrease) in cash and cash equivalents.....	(66,791)	57,233	(24,349)
Cash and cash equivalents at beginning of year.....	176,859	119,626	143,975
Cash and cash equivalents at end of year.....	\$ 110,068	\$ 176,859	\$ 119,626

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of business

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

At December 31, 1999, the Company's direct primary insurance in force (representing the current principal balance of all mortgage loans that are currently insured) and direct primary risk in force, excluding Wisconsin Mortgage Assurance Corporation ("WMAC"), was approximately \$147.6 billion and \$35.6 billion, respectively. In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. The Company's direct pool risk in force at December 31, 1999 was approximately \$1.6 billion.

On December 31, 1998, the Company purchased WMAC from a third party for \$2 million. MGIC contributed an additional \$13 million of capital to WMAC to comply with minimum regulatory capital requirements. WMAC wrote mortgage insurance on first mortgages collateralized by one- to four-family residences until February 28, 1985 at which time it ceased writing new business. WMAC's direct primary insurance in force, direct primary risk in force and direct pool risk in force was approximately \$2.3 billion, \$0.6 billion and \$0.4 billion, respectively, at December 31, 1999. (See note 7.)

2. Basis of presentation and summary of significant accounting policies

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

Principles of consolidation

The consolidated financial statements include the accounts of MGIC Investment Corporation and its wholly-owned subsidiaries. All intercompany transactions have been eliminated. The Company's 48% investments in Credit-Based Asset Servicing and Securitization LLC and Litton Loan Servicing LP (collectively, "C-BASS") and 45.5% investment in Sherman Financial Group LLC, ("Sherman"), joint ventures with Enhance Financial Services Group Inc. and 47% investment in Customers Forever LLC, ("Customers Forever"), a joint venture with Marshall & Ilsley Corporation, are accounted for on the equity method and recorded on the balance sheet as investments in joint ventures. The Company's equity earnings from these joint ventures are included in other revenue. (See note 8.)

Investments

The Company categorizes its investment portfolio according to its ability and intent to hold the investments to maturity. Investments which the Company does not have the ability and intent to hold to maturity are considered to be available-for-sale and must be recorded at market and the unrealized gains or losses recognized as an increase or decrease to shareholders' equity. During 1997, 1998 and 1999, the Company's entire investment portfolio was classified as available-for-sale. Realized investment gains and losses are reported in income based upon specific identification of securities sold. (See note 4.)

Home office and equipment

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

Home office and equipment is shown net of accumulated depreciation of \$31.5 million and \$45.2 million at December 31, 1999 and 1998, respectively.

Deferred insurance policy acquisition costs

The cost of acquiring insurance policies, including compensation, premium taxes and other underwriting expenses, is deferred, to the extent recoverable, and amortized as the related premiums are earned. No expenses are deferred on monthly premium policies.

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. (See note 6.)

Income recognition

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

Fee income of the non-insurance subsidiaries is earned as the services are provided.

Income taxes

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

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

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

Benefit plans

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

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

Reinsurance

Loss reserves and unearned premiums are reported before taking credit for amounts ceded under reinsurance treaties. Ceded loss reserves are reflected as "Reinsurance recoverable on loss reserves." Ceded unearned premiums are reflected as "Reinsurance recoverable on unearned premiums." The Company

remains contingently liable for all reinsurance ceded. (See note 7.)

Earnings per share

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

	Years Ended December 31,		
	1999	1998	1997
	(shares in thousands)		
Weighted-average shares - Basic EPS	108,061	112,135	116,332
Common stock equivalents	1,197	1,447	1,592
Weighted-average shares - Diluted EPS	109,258	113,582	117,924

Statement of cash flows

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

Comprehensive income

The Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income. The Company's other comprehensive income consists of the change in unrealized appreciation (depreciation) on investments, net of tax. Realized investment gains of \$3.4 million and \$18.3 million in 1999 and 1998, respectively, include sales of securities which had unrealized appreciation of \$27.9 million and \$19.0 million at December 31, 1998 and 1997, respectively.

Recent accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), which will be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The statement establishes accounting and reporting standards for derivative instruments and for hedging activities. Management does not anticipate adoption of SFAS 133 will have a significant effect on the Company's results of operations or its financial position due to its limited use of derivative instruments. (See note 4.)

Reclassifications

Certain reclassifications have been made in the accompanying financial statements to 1998 and 1997 amounts to allow for consistent financial reporting.

3. Related party transactions

The Northwestern Mutual Life Insurance Company ("NML") held approximately 11% of the common stock of the Company at December 31, 1999. The Company contracts with Northwestern Mutual Investment Services, Inc., a subsidiary of NML, for investment portfolio management. The Company incurred expense of \$1.0 million, \$1.0 million and \$1.1 million for these services in 1999, 1998 and 1997, respectively.

The Company provided certain services to C-BASS during 1999, 1998 and 1997, and Customers Forever in 1999 in exchange for an immaterial amount of fees. In addition, C-BASS provided certain services to the Company during 1999 in exchange for an immaterial amount of fees.

4. Investments

The following table summarizes the Company's investments at December 31, 1999 and 1998:

	Amortized Cost	Market Value	Financial Statement Value
----- (In thousands of dollars) -----			
At December 31, 1999:			

Securities, available-for-sale:			
Fixed maturities.....	\$ 2,732,451	\$ 2,666,562	\$ 2,666,562
Equity securities.....	12,203	15,426	15,426
Short-term investments.....	107,746	107,746	107,746
	-----	-----	-----
Total investment portfolio.....	\$ 2,852,400	\$ 2,789,734	\$ 2,789,734
	=====	=====	=====
At December 31, 1998:			

Securities, available-for-sale:			
Fixed maturities.....	\$ 2,460,418	\$ 2,602,870	\$ 2,602,870
Equity securities.....	1,583	4,627	4,627
Short-term investments.....	172,209	172,209	172,209
	-----	-----	-----
Total investment portfolio.....	\$ 2,634,210	\$ 2,779,706	\$ 2,779,706
	=====	=====	=====

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
----- (In thousands of dollars) -----				
December 31, 1999:				

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

The amortized cost and market value of investments at December 31, 1998 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
----- (In thousands of dollars) -----				
December 31, 1998:				

U.S. Treasury securities and obligations of U.S. government corporations and agencies.....				
	\$ 65,811	\$ 5,746	\$ (141)	\$ 71,416
Obligations of states and political subdivisions.....	2,030,847	120,033	(1,290)	2,149,590
Corporate securities.....	518,965	16,819	(100)	535,684
Mortgage-backed securities.....	1,120	16	(3)	1,133
Debt securities issued by foreign sovereign governments.....	15,884	1,372	-	17,256
	-----	-----	-----	-----
Total debt securities.....	2,632,627	143,986	(1,534)	2,775,079
Equity securities.....	1,583	3,044	-	4,627
	-----	-----	-----	-----
Total investment portfolio.....	\$ 2,634,210	\$ 147,030	\$ (1,534)	\$ 2,779,706
	=====	=====	=====	=====

The amortized cost and market values of debt securities at December 31, 1999, by contractual maturity, are shown below. Debt securities consist of fixed maturities and short-term investments. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Market Value
----- (In thousands of dollars)		
Due in one year or less.....	\$ 116,762	\$ 116,852
Due after one year through five years.....	458,897	462,135
Due after five years through ten years.....	886,841	881,439
Due after ten years.....	1,376,331	1,312,524
	-----	-----
Mortgage-backed securities.....	2,838,831 1,366	2,772,950 1,358
Total at December 31, 1999.....	\$ 2,840,197	\$ 2,774,308
	=====	=====

Net investment income is comprised of the following:

	1999	1998	1997
----- (In thousands of dollars)			
Fixed maturities.....	\$ 144,614	\$ 133,307	\$ 117,448
Equity securities.....	975	1,133	485
Short-term investments..	8,865	9,603	6,813
Other	46	79	65
	-----	-----	-----
Investment income.....	154,500	144,122	124,811
Investment expenses....	(1,429)	(1,103)	(1,209)
	-----	-----	-----
Net investment income..	\$ 153,071	\$ 143,019	\$ 123,602
	=====	=====	=====

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

	1999	1998	1997
----- (In thousands of dollars)			
Net realized investment gains (losses), on sale of investments:			
Fixed maturities.....	\$ 3,409	\$ 8,349	\$ 3,734
Equity securities.....	-	9,941	(472)
Short-term investments..	(3)	(2)	(1)
	-----	-----	-----
	3,406	18,288	3,261
	-----	-----	-----
Change in net unrealized appreciation (depreciation):			
Fixed maturities.....	(208,338)	25,631	56,934
Equity securities.....	179	(9,339)	9,677
Short-term investments..	-	-	-
	-----	-----	-----
	(208,159)	16,292	66,611
	-----	-----	-----
Net realized investment gains (losses) and change in net unrealized appreciation (depreciation)	\$(204,753)	\$ 34,580	\$ 69,872
	=====	=====	=====

The gross realized gains and the gross realized losses on sales of available-for-sale securities were \$14.5 million and \$11.1 million, respectively, in 1999, \$22.7 million and \$4.4 million, respectively, in 1998 and \$5.7 million and \$2.4 million, respectively, in 1997.

The tax expense (benefit) of the changes in net unrealized appreciation (depreciation) was (\$72.9) million, \$5.7 million and \$23.3 million for 1999, 1998 and 1997, respectively.

5. Notes payable

During 1999, 1998 and 1997, the Company repurchased approximately 3.6 million, 5.3 million and 4.7 million shares, respectively, of its outstanding common stock at a cost of approximately \$201, \$247 and \$248 million, respectively. Funds to repurchase the shares in 1997 and 1998 were primarily provided by borrowings under credit facilities evidenced by notes payable. The shares repurchased in 1999 were funded with a \$150 million special dividend from MGIC and cash flow.

The 1997 and 1998 credit facilities provide up to \$200 million and \$225 million, respectively, of availability at December 31, 1999. The 1997 credit facility will decrease by \$25 million each year through June 20, 2001. Any outstanding borrowings under this facility mature on June 20, 2002. The 1998 credit facility will decrease by \$25 million each year through June 9, 2002. Any outstanding borrowings under this facility mature on June 9, 2003. The Company has the option on notice to lenders, to prepay any borrowings under the agreements subject to certain provisions.

At December 31, 1999, the Company's outstanding balance of the notes payable on the 1997 and 1998 credit facilities were \$200 million and \$225 million, respectively, which approximated market value. The interest rate on the notes payable varies based on LIBOR and at December 31, 1999 and December 31, 1998 the rate was 6.17% and 5.80%, respectively. The weighted average interest rate on the notes payable for borrowings under the 1997 and 1998 credit

twenty-two

agreements was 5.57% and 5.86% per annum for the years ended December 31, 1999 and 1998, respectively. Interest payments on the notes payable were \$22.0 million and \$17.7 million for the years ended December 31, 1999 and 1998, respectively. In addition to the 1997 and 1998 credit facilities, the Company entered into a \$100 million credit facility in November 1999. At December 31, 1999, there were no outstanding borrowings under this facility.

Under the terms of the credit facilities, the Company must maintain shareholders' equity of at least \$1 billion and MGIC must maintain a claims paying ability rating of 'AA-' or better with Standard & Poor's Corporation ("S&P"). At December 31, 1999, the Company had shareholders' equity of \$1,776 million and MGIC had a claims paying ability rating of 'AA+' from S&P.

During the twelve months ended December 1999, the Company utilized three interest rate swaps each with a notional amount of \$100 million to reduce and manage interest rate risk on a portion of the variable rate debt under the credit facilities. With respect to all such transactions, the notional amount of \$100 million represents the stated principal balance used as a basis for calculating payments. On the swaps, the Company receives and pays amounts based on rates that can be fixed or variable depending on the terms negotiated. Two of the swaps renew monthly and one expires in October 2000. Earnings during the twelve months ended December 1999 on the swaps of approximately \$3.8 million are netted against interest expense in the Consolidated Statement of Operations.

During 1998, the Company earned approximately \$0.2 million as a result of an interest rate swap with a \$100 million notional amount entered into during the fourth quarter of 1998. In addition, during the fourth quarter of 1998, the Company sold three successive \$100 million put-swaptions for investment purposes. All three put-swaptions expired unexercised, the last expiring on January 6, 1999. Premium income in 1998 on the put-swaptions of approximately \$0.3 million and the \$0.2 million of earnings on the swap were netted against interest expense in the 1998 Consolidated Statement of Operations.

6. Loss reserves

Loss reserve activity was as follows:

	1999	1998	1997
----- (In thousands of dollars) -----			
Reserve at beginning of year	\$ 681,274	\$ 598,683	\$ 514,042
Less reinsurance recoverable.....	45,527	26,415	29,827
Net reserve at beginning of year...	635,747	572,268	484,215
Reserve transfer (1)..	833	538	537
Adjusted reserve at beginning of year...	636,580	572,806	484,752
Losses incurred:			
Losses and LAE incurred in respect of default notices received in:			
Current year....	333,193	377,786	360,623
Prior years (2).	(235,997)	(166,432)	(118,261)
Subtotal.....	97,196	211,354	242,362
Losses paid:			
Losses and LAE paid in respect of default notices received in:			
Current year....	7,601	8,752	15,257
Prior years.....	120,018	139,661	139,589
Subtotal.....	127,619	148,413	154,846
Net reserve at end of year	606,157	635,747	572,268
Plus reinsurance recoverables.....	35,821	45,527	26,415
Reserve at end of year	\$ 641,978	\$ 681,274	\$ 598,683
	=====	=====	=====

(1) Received in conjunction with the cancellation of certain reinsurance treaties. (See note 7.)

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

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

Current year losses incurred decreased from 1998 to 1999 primarily due to generally strong economic conditions, improvement in the California real estate market, and MGIC's claims mitigation efforts which

twenty-three

resulted in a decline in losses paid and a reduction in both primary and pool reserve factors. Partially offsetting the reduction in factors was an increase in the primary insurance notice inventory from 29,253 at December 31, 1998 to 29,761 at December 31, 1999 and an increase in pool insurance notice inventory from 6,524 at December 31, 1998 to 11,638 at December 31, 1999. These events contributed to an increase in the redundancy in prior year loss reserves.

The favorable development of the reserves in 1999, 1998 and 1997 is reflected in the prior year line, and results from the actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1998, 1997 and 1996, respectively.

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

7. Reinsurance

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

During 1997, 1998 and 1999, MGIC signed agreements with WMAC and certain WMAC reinsurers to assume all of the reinsurers' interest in WMAC mortgage insurance writings, which had been previously ceded to those reinsurers. As a result, the portion of WMAC's insurance in force reinsured by MGIC increased from approximately 65 percent to approximately 68 percent. (See note 1.)

As a result of the purchase of WMAC on December 31, 1998, reinsurance recoverable on loss reserves as shown in the Consolidated Balance Sheet includes approximately \$19 million and \$26 million of reinsured loss reserves at December 31, 1999 and December 31, 1998, respectively.

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

	1999	1998	1997
	-----	-----	-----
	(In thousands of dollars)		
Premiums earned:			
Direct.....	\$ 810,974	\$ 770,775	\$ 712,069
Assumed.....	7,008	9,670	12,665
Ceded	(25,401)	(17,161)	(15,990)
	-----	-----	-----
Net premiums earned.	\$ 792,581	\$ 763,284	\$ 708,744
	=====	=====	=====
Losses incurred:			
Direct.....	\$ 94,920	\$ 216,340	\$ 247,137
Assumed.....	(1,332)	(3,234)	3,683
Ceded	3,608	(1,752)	(8,458)
	-----	-----	-----
Net losses incurred.	\$ 97,196	\$ 211,354	\$ 242,362
	=====	=====	=====

8. Investments in joint ventures

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

At December 31, 1999 the Company had contributed approximately \$54 million of capital to C-BASS. Total combined assets of C-BASS at December 31, 1999 and 1998 were approximately \$934 million and \$623 million, respectively, of which approximately \$773 million and \$550 million, respectively, were mortgage-related assets, including open trades. Total liabilities at December 31, 1999 and 1998 were approximately \$744 million and \$468 million, respectively, of which approximately \$617 million and \$459 million, respectively, were funding arrangements, including accrued interest.

twenty-four

For the years ended December 31, 1999 and 1998, revenues of approximately \$112 million and \$70 million, respectively, and expenses of approximately \$72 million and \$44 million, respectively, resulted in income before tax of approximately \$40 million and \$26 million, respectively. MGIC had guaranteed one half of a \$50 million credit facility for C-BASS that was repaid in July 1999.

Sherman is engaged in the business of purchasing, servicing and securitizing delinquent unsecured consumer assets such as credit card loans and Chapter 13 bankruptcy debt. A substantial portion of Sherman's consolidated assets are investments in receivable portfolios that do not have readily ascertainable market values and as a result their value for financial statement purposes is estimated by the management of Sherman. Market value adjustments could impact the Company's share of Sherman's results of operations. At December 31, 1999 the Company had contributed approximately \$9 million of capital to Sherman. MGIC is guaranteeing one half of a \$50 million Sherman credit facility that is scheduled to expire in June 2000.

Customers Forever is an Internet-focused transaction service company dedicated to helping large residential mortgage servicers retain and enhance relationships with their customers nationwide. At December 31, 1999 the Company had contributed approximately \$7 million of capital to Customers Forever.

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

9. Benefit plans

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

	Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
	(In thousands of dollars)			
Reconciliation of benefit obligation:				
Benefit obligation at beginning of year.....	\$ 66,280	\$ 51,190	\$ 23,010	\$ 19,364
Service cost.....	5,869	4,064	2,041	1,612
Interest cost.....	4,677	3,959	1,644	1,357
Actuarial (gain) loss.....	(5,917)	7,908	(2,044)	883
Benefits paid.....	(938)	(841)	(139)	(206)
Benefit obligation at end of year.....	\$ 69,971	\$ 66,280	\$ 24,512	\$ 23,010
Reconciliation of fair value of plan assets:				
Fair value of plan assets at beginning of year.....	\$ 73,822	\$ 57,578	\$ 11,045	\$ 8,632
Actual return on plan assets.....	6,390	9,895	422	1,141
Employer contributions.....	7,574	7,190	1,863	1,272
Benefits paid.....	(938)	(841)	-	-
Fair value of plan assets at end of year.....	\$ 86,848	\$ 73,822	\$ 13,330	\$ 11,045
Reconciliation of funded status:				
Benefit obligation at end of year.....	\$ (69,971)	\$ (66,280)	\$ (24,512)	\$ (23,010)
Fair value of plan assets at end of year.....	86,848	73,822	13,330	11,045
Funded status at end of year.....	16,877	7,542	(11,182)	(11,965)

Notes continued

Unrecognized net actuarial gain.....	(12,011)	(4,741)	(4,959)	(3,145)
Unrecognized net transition obligation.....	31	63	6,889	7,419
Unrecognized prior service cost.....	2,359	2,542	-	-
	-----	-----	-----	-----
Prepaid (accrued) benefit cost.....	\$ 7,256	\$ 5,406	\$ (9,252)	\$ (7,691)
	=====	=====	=====	=====

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

	Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
	(In thousands of dollars)					
Service cost.....	\$ 5,869	\$ 4,064	\$ 3,569	\$ 2,041	\$ 1,612	\$ 1,379
Interest cost.....	4,677	3,959	3,169	1,644	1,357	1,267
Expected return on plan assets.....	(5,543)	(4,674)	(3,521)	(844)	(696)	(506)
Recognized net actuarial gain.....	-	-	-	(17)	(170)	(67)
Amortization of transition obligation.....	32	32	32	530	530	530
Amortization of prior service cost.....	183	183	(20)	-	-	-
	-----	-----	-----	-----	-----	-----
Net periodic benefit cost.....	\$ 5,218	\$ 3,564	\$ 3,229	\$ 3,354	\$ 2,633	\$ 2,603
	=====	=====	=====	=====	=====	=====

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

	Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Weighted-average interest rate assumptions as of December 31:						
Discount rate.....	7.5%	7.0%	7.5%	7.5%	7.0%	7.5%
Expected return on plan assets.....	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Rate of compensation increase.....	6.0%	6.0%	6.0%	N/A	N/A	N/A

Plan assets consist of fixed maturities and equity securities. The Company is amortizing the unrecognized transition obligation for other postretirement benefits over 20 years. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 6.5% decreasing to 6% for 2000 and remaining level thereafter. A 1% change in the health care trend rate assumption would have the following effects on other postretirement benefits:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(In thousands of dollars)	
Effect on total service and interest cost components....	\$ 843	\$ (706)
Effect on postretirement benefit obligation.....	4,960	(4,138)

The Company has a profit sharing and 401(k) savings plan for employees. At the discretion of the Board of Directors, the Company may make a profit sharing contribution of up to 5% of each participant's compensation. The Company provides a matching 401(k) savings contribution on employees' before-tax contributions at a rate of 80% of the first \$1,000 contributed and 40% of the next \$2,000 contributed. Profit sharing costs and the Company's matching contributions to the 401(k) savings plan were \$5.3 million, \$5.0 million and \$3.8 million in 1999, 1998 and 1997, respectively.

10. Income taxes

The components of the net deferred tax (asset) liability as of December 31, 1999 and 1998 are recorded on the Consolidated Balance Sheet as part of other assets or other liabilities and are as follows:

	1999	1998
	-----	-----
	(In thousands of dollars)	
Unearned premium reserves.....	\$ (17,726)	\$ (16,897)

twenty-six

Deferred policy acquisition costs....	7,822	8,423
Loss reserves.....	(8,119)	(11,688)
Unrealized appreciation in investments.....	(21,933)	50,923
Contingency reserve.....	29,029	4,473
Other	(4,521)	(6,700)
	-----	-----
Net deferred tax (asset) liability... \$	(15,448)	\$ 28,534
	=====	=====

At December 31, 1999, gross deferred tax assets and liabilities amounted to \$84.8 million and \$69.4 million, respectively. Management believes that all gross deferred tax assets at December 31, 1999 are fully realizable and no valuation reserve has been established.

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

	1999	1998	1997
	-----	-----	-----
	(In thousands of dollars)		
Federal:			
Current.....	\$ 179,423	\$ 171,244	\$ 147,983
Deferred.....	28,874	(4,198)	(7,833)
State	2,512	2,074	1,473
	-----	-----	-----
Provision for income tax	\$ 210,809	\$ 169,120	\$ 141,623
	=====	=====	=====

The Company paid \$173.1 million, \$160.6 million and \$151.1 million in federal income tax in 1999, 1998 and 1997, respectively. At December 31, 1999 and 1998, the Company owned \$704.1 million and \$600.8 million, respectively, of tax and loss bonds.

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

	1999	1998	1997
	-----	-----	-----
	(In thousands of dollars)		
Tax provision computed at federal tax rate.....	\$ 238,354	\$ 194,105	\$ 162,881
(Decrease) increase in tax provision resulting from:			
Tax exempt municipal bond interest.....	(31,851)	(28,973)	(24,926)
Other, net.....	4,306	3,988	3,668
	-----	-----	-----
Provision for income tax	\$ 210,809	\$ 169,120	\$ 141,623
	=====	=====	=====

The Internal Revenue Service has completed examining the Company's income tax returns through 1994. The results of these examinations had no material effect on the financial statements.

11. Shareholders' equity and dividend restrictions

The Company's insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. As a result of the \$150 million special dividend paid by MGIC in 1999, MGIC is required to obtain regulatory approval prior to the payment of dividends in 2000. The other insurance subsidiaries of the Company can pay \$6.3 million of dividends in 2000 without such regulatory approval.

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

In 1999, 1998 and 1997, the Company paid dividends of \$10.8 million, \$11.2 million and \$11.0 million, respectively or \$.10 per share in 1999 and 1998 and \$.095 per share in 1997.

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

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

twenty-seven

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

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

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

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

Year Ended December 31,	Net Income	Equity	Contingency Reserve
(In thousands of dollars)			
1999	\$ 296,287	\$ 637,234	\$ 2,253,418
1998	187,535	585,280	1,939,626
1997	144,963	394,274	1,625,810

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

The Company has two stock option plans which permit certain officers and employees to purchase common stock at specified prices. A summary of activity in the stock option plans during 1997, 1998 and 1999 is as follows:

	Average Exercise Price	Shares Subject to Option
Outstanding, December 31, 1996...	\$ 10.40	2,604,626
Granted.....	37.04	1,592,000
Exercised.....	9.08	(532,332)
Canceled.....	31.19	(29,420)
Outstanding, December 31, 1997...	22.09	3,634,874
Granted.....	62.28	109,500
Exercised.....	10.99	(478,848)
Canceled.....	33.99	(70,002)
Outstanding, December 31, 1998...	24.87	3,195,524
Granted.....	42.29	791,750
Exercised.....	8.74	(413,930)
Canceled.....	45.94	(17,200)
Outstanding, December 31, 1999...	\$ 30.52	3,556,144

The exercise price of the options granted in 1997, 1998 and 1999 was equal to the market value of the stock on the date of grant. The options are exercisable between one and ten years after the date of grant. At December 31, 1999, 2,895,028 shares were available for future grant under the stock option plans.

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

	Year Ended December 31,		
	1999	1998	1997
Net income	\$ 464,793	\$ 381,689	\$ 320,416
Earnings per share:			
Basic	\$ 4.30	\$ 3.40	\$ 2.75
Diluted	\$ 4.25	\$ 3.36	\$ 2.72

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

twenty-eight

	Year Ended December 31,		
	1999	1998	1997
Risk free interest rate	6.00%	6.37%	6.44%
Expected life.....	6.38 years	6.82 years	6.88 years
Expected volatility....	29.72%	27.98%	28.07%
Expected dividend yield	0.17%	0.17%	0.16%

The following is a summary of stock options outstanding at December 31, 1999:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Shares	Remaining Average Life(yrs.)	Average Exercise Price	Shares	Average Exercise Price
\$2.50-\$3.45	356,000	1.0	\$3.44	356,000	\$ 3.44
\$9.63-\$20.88	815,260	3.9	15.36	810,060	15.35
\$26.69-\$46.06	2,264,984	8.0	38.40	528,254	36.11
\$60.25-\$68.63	119,900	8.7	65.21	26,890	65.01
Total	3,556,144	6.4	\$30.52	1,721,204	\$ 20.03

At December 31, 1998 and 1997, option shares of 1,751,725 and 1,540,076 were exercisable at an average exercise price of \$14.01 and \$8.56, respectively. The Company also granted an immaterial amount of equity instruments other than options during 1998 and 1999.

On June 2, 1997 the Company effected a two-for-one stock split of the Company's common stock in the form of a 100% stock dividend. Per share and certain equity amounts set forth in the accompanying financial statements and notes have been adjusted to take into account the stock split.

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

12. Leases

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

Total rental expense under operating leases was \$5.5 million, \$5.4 million and \$5.3 million in 1999, 1998 and 1997, respectively.

At December 31, 1999, minimum future operating lease payments are as follows (in thousands of dollars):

2000.....	\$ 4,072
2001.....	3,324
2002.....	2,158
2003.....	1,056
2004.....	403
2005 and thereafter.....	387

Total.....	\$ 11,400
	=====

13. Contingencies

The Company is involved in litigation in the ordinary course of business. In the opinion of management, the ultimate disposition of this litigation

twenty-nine

will not have a material adverse effect on the financial position of the Company.

In addition, on December 17, 1999, a class action complaint was filed against MGIC in Federal District Court for the Southern District of Georgia, Augusta division, alleging that MGIC violated the Real Estate Settlement Procedures Act by entering into various transactions with lenders (including GSE pool insurance, captive mortgage reinsurance and contract underwriting) that were not properly priced, in return for the referral of mortgage insurance. On December 24, 1999, the Company issued a press release saying that it will aggressively defend against this lawsuit and in due course will answer the complaint and deny liability.

thirty

Report of Independent Accountants

To the Board of Directors & Shareholders of
MGIC Investment Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of MGIC Investment Corporation and Subsidiaries (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP
Milwaukee, Wisconsin

January 12, 2000

thirty-one

Unaudited quarterly financial data

1999	Quarter				1999 Year
	First	Second	Third	Fourth	
(In thousands of dollars, except per share data)					
Net premiums written.....	\$ 184,011	\$ 196,374	\$ 207,582	\$ 204,378	\$ 792,345
Net premiums earned.....	193,981	194,766	200,042	203,792	792,581
Investment income, net of expenses.....	36,915	38,627	39,303	38,226	153,071
Losses incurred, net.....	44,232	30,941	19,533	2,490	97,196
Underwriting and other expenses.....	53,233	51,949	48,289	47,308	200,779
Net income.....	100,418	112,934	122,909	133,940	470,201
Earnings per share (a):					
Basic.....	.92	1.04	1.13	1.27	4.35
Diluted.....	.91	1.02	1.11	1.25	4.30

1998	Quarter				1998 Year
	First	Second	Third	Fourth	
(In thousands of dollars, except per share data)					
Net premiums written.....	\$ 176,487	\$ 186,663	\$ 190,567	\$ 195,444	\$ 749,161
Net premiums earned.....	189,821	189,248	191,066	193,149	763,284
Investment income, net of expenses.....	34,389	35,325	36,461	36,844	143,019
Losses incurred, net.....	59,438	52,514	51,487	47,915	211,354
Underwriting and other expenses.....	45,158	45,532	46,498	52,843	190,031
Net income.....	94,047	95,212	96,492	99,714	385,465
Earnings per share (a):					
Basic.....	.83	.83	.87	.91	3.44
Diluted.....	.81	.82	.86	.91	3.39

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

Shareholder Information

MGIC Stock

 MGIC Investment Corporation Common Stock is listed on the New York Stock Exchange under the symbol MTG. At December 31, 1999, 105,798,034 shares were outstanding. The following table sets forth for 1998 and 1999 by quarter the high and low sales prices of the Common Stock on the New York Stock Exchange Composite Tape.

Quarters	1998		1999	
	High	Low	High	Low
1st	\$ 74.5000	\$ 62.0000	\$ 45.625	\$ 30.125
2nd	69.0000	55.3750	51.625	34.750
3rd	65.4375	36.8750	56.750	40.250
4th	48.2500	24.2500	62.750	46.500

In 1998 and 1999 the Company declared and paid the following cash dividends:

Quarters	1998	1999
1st	\$.025	\$.025
2nd	.025	.025
3rd	.025	.025
4th	.025	.025
	=====	=====
	\$.100	\$.100
	=====	=====

As of February 14, 2000, the number of shareholders of record was 313. In addition, there were approximately 24,900 beneficial owners of shares held by brokers and fiduciaries.

MGIC INVESTMENT CORPORATION

DIRECT AND INDIRECT SUBSIDIARIES AND JOINT VENTURES
OF MGIC INVESTMENT CORPORATION/1

1. MGIC Assurance Corporation
2. MGIC Credit Assurance Corporation
3. MGIC Insurance Services Corporation
4. MGIC Investor Services Corporation
5. MGIC Mortgage Insurance Corporation
6. MGIC Mortgage Marketing Corporation
7. MGIC Mortgage Reinsurance Corporation
8. MGIC Mortgage Securities Corporation
9. MGIC Reinsurance Corporation
10. MGIC Reinsurance Corporation of Wisconsin
11. MGIC Residential Reinsurance Corporation
12. MGIC Surety Corporation
13. Mortgage Guaranty Insurance Corporation
14. Wisconsin Mortgage Assurance Corporation
15. Credit-Based Asset Servicing and Securitization LLC/2
16. Sherman Financial Group LLC/2
17. Customers Forever LLC/3

-
- 1 Except as otherwise noted in Footnotes 2 and 3, all companies listed are 100% directly or indirectly owned by the registrant and all are incorporated in Wisconsin.
 - 2 Less than 50% owned and organized under Delaware law.
 - 3 Less than 50% owned and organized under Wisconsin law.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements listed below of MGIC Investment Corporation of our report dated January 12, 2000 relating to the financial statements, which appears in the 1999 Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 12, 2000 relating to the financial statement schedules, which appears in this Form 10-K.

1. Registration Statement on Form S-8 (Registration No. 33-42120)
2. Registration Statement on Form S-8 (Registration No. 33-43543)

PRICEWATERHOUSECOOPERS LLP

Milwaukee, Wisconsin
March 24, 2000

