FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended March 31, 2021

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

For the transition period from ______ to ______

Commission file number 1-10816

MGIC Investment Corporation

(Exact name of registrant as specified in its charter)

Wisconsin	39-1486475
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
250 E. Kilbourn Avenue Milwaukee, Wisconsin (Address of principal executive offices)	53202 (Zip Code)

(414) 347-6480

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	MTG	New York Stock Exchange

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

Emerging growth company ☐ If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of April 30, 2021, there were 339,315,627 shares of common stock of the registrant, par value $1.00 per share, outstanding.

Forward Looking and Other Statements

All statements in this report that address events, developments or results that we expect or anticipate may occur in the future are “forward looking statements.” Forward looking statements consist of statements that relate to matters other than historical fact. In most cases, forward looking statements may be identified by words such as “believe,” “anticipate” or “expect,” or words of similar import. The risk factors referred to in “Forward Looking Statements and Risk Factors – Location of Risk Factors” in Management’s Discussion and Analysis of Financial Condition and Results of Operations below, may cause our actual results to differ materially from the results contemplated by forward looking statements that we may make. We are not undertaking any obligation to update any forward looking statements or other statements we may make in this document even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. Therefore no reader of this document should rely on these statements being current as of any time other than the time at which this document was filed with the Securities and Exchange Commission.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED March 31, 2021

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Glossary of terms and acronyms

/ A

ARMs
Adjustable rate mortgages

ABS
Asset-backed securities

ASC
Accounting Standards Codification

Available Assets
Assets, as designated under the PMIERs, that are readily available to pay claims, and include the most liquid investments

/ B

Book or book year
A group of loans insured in a particular calendar year

BPMI
Borrower-paid mortgage insurance

/ C

CECL
Current expected credit losses covered under ASC 326

CFPB
Consumer Financial Protection Bureau

CLO
Collateralized loan obligations

CMBS
Commercial mortgage-backed securities

COVID-19 Pandemic
An outbreak of the novel coronavirus disease, later named COVID-19, that has spread globally, causing significant adverse effects on populations and economies. The outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency in the United States in March 2020

CRT
Credit risk transfer. The transfer of a portion of mortgage credit risk to the private sector through different forms of transactions and structures

/ D

DAC
Deferred insurance policy acquisition costs

Debt-to-income ("DTI") ratio
The ratio, expressed as a percentage, of a borrower's total debt payments to gross income

Direct
Before giving effect to reinsurance

Delinquent Loan
A loan that is past due on a mortgage payment. A delinquent loan is typically reported to us by servicers when the loan has missed two or more payments. A loan will continue to be reported as delinquent until it becomes current or a claim payment has been made. A delinquent loan is also referred to as a default

/ E

EPS
Earnings per share

/ F

Fannie Mae
Federal National Mortgage Association

FCRA
Fair Credit Reporting Act

FHA
Federal Housing Administration

FHFA
Federal Housing Finance Agency

FHLB
Federal Home Loan Bank of Chicago, of which MGIC is a member

FICO score
A measure of consumer credit risk provided by credit bureaus, typically produced from statistical models by Fair Isaac Corporation utilizing data collected by the credit bureaus

Freddie Mac
Federal Home Loan Mortgage Corporation

/ G

GAAP
Generally Accepted Accounting Principles in the United States

GSEs
Collectively, Fannie Mae and Freddie Mac

/ H

HAMP
Home Affordable Modification Program

HARP
Home Affordable Refinance Program

Home Re Transactions

Excess-of-loss reinsurance transactions with unaffiliated special purpose insurers domiciled in Bermuda

HOPA

Homeowners Protection Act

HUD

Housing and Urban Development

/ I

IBNR Reserves

Loss reserves established on loans we estimate are delinquent, but for which the delinquency has not been reported to us

IIF

Insurance in force, which for loans insured by us, is equal to the unpaid principal balance, as reported to us

ILN

Insurance-linked notes

/ L

LAE

Loss adjustment expenses, which includes the costs of settling claims, including legal and other expenses and general expenses of administering the claims settlement process.

Loan-to-value ("LTV") ratio

The ratio, expressed as a percentage, of the dollar amount of the first mortgage loan to the value of the property at the time the loan became insured and does not reflect subsequent housing price appreciation or depreciation. Subordinate mortgages may also be present.

Long-term debt:

5.75% Notes

5.75% Senior Notes due on August 15, 2023, with interest payable semi-annually on February 15 and August 15 of each year

5.25% Notes

5.25% Senior Notes due on August 15, 2028, with interest payable semi-annually on February 15 and August 15 of each year

9% Debentures

9% Convertible Junior Subordinated Debentures due on April 1, 2063, with interest payable semi-annually on April 1 and October 1 of each year

FHLB Advance or the Advance

1.91% Fixed rate advance from the FHLB due on February 10, 2023, with interest payable monthly

Loss ratio

The ratio, expressed as a percentage, of the sum of incurred losses and loss adjustment expenses to NPE

Low down payment loans or mortgages

Loans with less than 20% down payments

LPMI

Lender-paid mortgage insurance

/ M

MBS

Mortgage-backed securities

MD&A

Management's discussion and analysis of financial condition and results of operations

MGIC

Mortgage Guaranty Insurance Corporation, a subsidiary of MGIC Investment Corporation

MAC

MGIC Assurance Corporation, a subsidiary of MGIC

Minimum Required Assets

The minimum amount of Available Assets that must be held under the PMIERs which is based on an insurer's book of RIF and is calculated from tables of factors with several risk dimensions, reduced for credit given for risk ceded under reinsurance transactions, and subject to a floor of $400 million.

MPP

Minimum Policyholder Position, as required under certain state requirements. The "policyholder position" of a mortgage insurer is its net worth or surplus, contingency reserve and a portion of the reserves for unearned premiums

/ N

N/A

Not applicable for the period presented

NAIC

The National Association of Insurance Commissioners

NIW

New Insurance Written, is the aggregate original principal amount of the mortgages that are insured during a period

N/M

Data, or calculation, deemed not meaningful for the period presented

NPE

The amount of premiums earned, net of premiums assumed and ceded under reinsurance agreements

NPL

Non-performing loan, which is a delinquent loan, at any stage in its delinquency

NPW

The amount of premiums written, net of premiums assumed and ceded under reinsurance agreements

/ O

OCI

Office of the Commissioner of Insurance of the State of Wisconsin

OTTI

Other than temporary impairment

/ P

Persistency

The percentage of our insurance remaining in force from one year prior

PMI

Private Mortgage Insurance (as an industry or product type)

PMIERs

Private Mortgage Insurer Eligibility Requirements issued by each of Fannie Mae and Freddie Mac to set forth requirements that an approved insurer must meet and maintain to provide mortgage guaranty insurance on loans delivered to or acquired by Fannie Mae or Freddie Mac, as applicable.

Premium Yield

The ratio of NPE divided by the average IIF outstanding for the period measured

Premium Rate

The contractual rate charged for coverage under our insurance policies.

Primary Insurance

Insurance that provides mortgage default protection on individual loans. Primary insurance may be written on a "flow" basis, in which loans are insured in individual, loan-by-loan transactions, or on a "bulk" basis, in which each loan in a portfolio of loans is individually insured in a single bulk transaction.

Profit Commission

Payments we receive from reinsurers under each of our quota share reinsurance transactions if the annual loss ratio is below levels specified in the quota share reinsurance transaction

/ Q

QSR Transaction

Quota share reinsurance transaction with a group of unaffiliated reinsurers

2015 QSR

Our QSR transaction that provides coverage on eligible NIW written prior to 2017

2017 QSR

Our QSR transaction that provides coverage on eligible NIW in 2017

2018 QSR

Our QSR transaction that provides coverage on eligible NIW in 2018

2019 QSR

Our QSR transaction that provides coverage on eligible NIW in 2019

2020 QSR

Our QSR transactions that provide coverage on eligible NIW in 2020

2021 QSR

Our QSR transactions that provide coverage on eligible NIW in 2021

2022 QSR

Our QSR transactions that provide coverage on eligible NIW in 2022

Credit Union QSR

Our QSR transaction that provides coverage on eligible NIW from credit union institutions originated from April 1, 2020 through December 31, 2025

QM

A mortgage loan that satisfies the “qualified mortgage” loan characteristics pursuant to the Consumer Financial Protection Bureau’s ability-to-repay under the Truth in Lending Act. Originating a QM loan may provide a lender with legal protection from lawsuits that claim the lender failed to verify a borrower’s ability to repay.

/ R

RESPA

Real Estate Settlement Procedures Act

RIF

Risk in force, which for an individual loan insured by us, is equal to the unpaid loan principal balance, as reported to us, multiplied by the insurance coverage percentage. RIF is sometimes referred to as exposure.

Risk-to-capital

Under certain state regulations, the ratio of RIF, net of reinsurance and exposure on policies currently in default and for which loss reserves have been established, to the level of statutory capital

RMBS

Residential mortgage-backed securities

/ S

State Capital Requirements

Under certain state regulations, the minimum amount of statutory capital relative to risk in force (or similar measure)

/ T

TILA

Truth in Lending Act

/ U

Underwriting expense ratio

The ratio, expressed as a percentage, of the underwriting and operating expenses, net and amortization of DAC of our combined insurance operations (which excludes underwriting and operating expenses of our non-insurance subsidiaries) to NPW

Underwriting profit

NPE minus incurred losses and underwriting and operating expenses

USDA

U.S. Department of Agriculture

/ V

VA

U.S. Department of Veterans Affairs

VIE

Variable interest entity

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)	Note		**March 31, 2021**		December 31, 2020
			(Unaudited)		
ASSETS					
Investment portfolio:	7 / 8				
Fixed income, available-for-sale, at fair value (amortized cost 2021 - $6,586,020; 2020 - $6,317,164)		**$**	**6,811,318**	$	6,661,596
Equity securities, at fair value (cost 2021 - $15,052; 2020 - $17,522)			**15,319**		18,215
Other invested assets, at cost			**3,100**		3,100
Total investment portfolio			**6,829,737**		6,682,911
Cash and cash equivalents			**182,930**		287,953
Restricted cash and cash equivalents			**9,836**		8,727
Accrued investment income			**51,127**		49,997
Reinsurance recoverable on loss reserves	4		**102,901**		95,042
Reinsurance recoverable on paid losses			**606**		669
Premiums receivable			**55,107**		56,044
Home office and equipment, net			**46,024**		47,144
Deferred insurance policy acquisition costs			**22,335**		21,561
Other assets			**106,413**		104,478
Total assets		**$**	**7,407,016**	$	7,354,526
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Loss reserves	11	**$**	**913,110**	$	880,537
Unearned premiums			**273,553**		287,099
Federal Home Loan Bank advance	3		**155,000**		155,000
Senior notes	3		**879,911**		879,379
Convertible junior subordinated debentures	3		**208,814**		208,814
Other liabilities			**244,335**		244,711
Total liabilities			**2,674,723**		2,655,540
Contingencies	5				
Shareholders' equity:	12				
Common stock (one dollar par value, shares authorized 1,000,000; shares issued 2021 - 371,353; 2020 - 371,353; shares outstanding 2021 - 339,316; 2020 - 338,573)			**371,353**		371,353
Paid-in capital			**1,782,041**		1,862,042
Treasury stock at cost (shares 2021 - 32,037; 2020 - 32,779)			**(384,550)**		(393,326)
Accumulated other comprehensive income, net of tax			**123,565**		216,821
Retained earnings			**2,839,884**		2,642,096
Total shareholders' equity			**4,732,293**		4,698,986
Total liabilities and shareholders' equity		**$**	**7,407,016**	$	7,354,526

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)	Note	Three Months Ended March 31, 2021	2020
Revenues:			
Premiums written:			
Direct		**$ 283,005**	$ 274,724
Assumed		**2,131**	2,859
Ceded	4	**(43,637)**	(31,576)
Net premiums written		**241,499**	246,007
Decrease in unearned premiums, net		**13,546**	14,894
Net premiums earned		**255,045**	260,901
Investment income, net of expenses		**37,893**	41,347
Net realized investment gains	7	**2,215**	1,891
Other revenue		**2,804**	2,754
Total revenues		**297,957**	306,893
Losses and expenses:			
Losses incurred, net	11	**39,636**	60,956
Amortization of deferred policy acquisition costs		**2,696**	2,510
Other underwriting and operating expenses, net		**48,023**	42,262
Interest expense		**17,985**	12,926
Total losses and expenses		**108,340**	118,654
Income before tax		**189,617**	188,239
Provision for income taxes		**39,596**	38,434
Net income		**$ 150,021**	$ 149,805
Earnings per share:			
Basic	6	**$ 0.44**	$ 0.44
Diluted	6	**$ 0.43**	$ 0.42
Weighted average common shares outstanding - basic	6	**338,904**	344,053
Weighted average common shares outstanding - diluted	6	**356,383**	365,216

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

		Three Months Ended March 31,	
(In thousands)	Note	**2021**	2020
Net income		**$ 150,021**	$ 149,805
Other comprehensive (loss) income, net of tax:	9		
Change in unrealized investment gains and losses	7	**(94,129)**	(72,585)
Benefit plan adjustments		**873**	1,101
Other comprehensive (loss) income, net of tax		**(93,256)**	(71,484)
Comprehensive income		**$ 56,765**	$ 78,321

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

		Three Months Ended March 31,	
(In thousands)	Note	**2021**	2020
Common stock			
Balance, beginning and end of period		**$ 371,353**	$ 371,353
Paid-in capital			
Balance, beginning of period		**1,862,042**	1,869,719
Cumulative effect of debt with conversion options accounting standards update	2	**(68,289)**	—
Reissuance of treasury stock, net under share-based compensation plans		**(15,397)**	(18,667)
Equity compensation		**3,685**	4,319
Balance, end of period		**1,782,041**	1,855,371
Treasury stock			
Balance, beginning of period		**(393,326)**	(283,196)
Reissuance of treasury stock, net under share-based compensation plans		**8,776**	9,768
Repurchase of common stock	12	**—**	(119,997)
Balance, end of period		**(384,550)**	(393,425)
Accumulated other comprehensive income (loss)			
Balance, beginning of period		**216,821**	72,708
Other comprehensive (loss) income, net of tax	9	**(93,256)**	(71,484)
Balance, end of period		**123,565**	1,224
Retained earnings			
Balance, beginning of period, as previously reported		**2,642,096**	2,278,650
Cumulative effect of debt with conversion options accounting standards update	2	**68,289**	—
Balance, beginning of the period, as adjusted		**2,710,385**	2,278,650
Net income		**150,021**	149,805
Cash dividends	12	**(20,522)**	(21,150)
Balance, end of period		**2,839,884**	2,407,305
Total shareholders' equity		**$ 4,732,293**	$ 4,241,828

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
(In thousands)	**2021**	2020
Cash flows from operating activities:		
Net income	**$ 150,021**	$ 149,805
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**17,422**	13,052
Deferred tax expense	**2,635**	15,877
Net realized investment (gains) losses	**(2,215)**	(1,891)
Change in certain assets and liabilities:		
Accrued investment income	**(1,130)**	2,763
Reinsurance recoverable on loss reserves	**(7,859)**	(4,115)
Reinsurance recoverable on paid losses	**63**	(170)
Premium receivable	**937**	2,147
Deferred insurance policy acquisition costs	**(774)**	(983)
Profit commission receivable	**(5,430)**	1,121
Loss reserves	**32,573**	19,419
Unearned premiums	**(13,546)**	(14,894)
Return premium accrual	**2,900**	(400)
Current income taxes	**36,897**	22,527
Other, net	**(14,461)**	(19,934)
Net cash provided by operating activities	**198,033**	184,324
Cash flows from investing activities:		
Purchases of investments	**(652,328)**	(280,614)
Proceeds from sales of investments	**59,378**	224,803
Proceeds from maturity of fixed income securities	**318,892**	222,544
Additions to property and equipment	**(441)**	(580)
Net cash provided by (used in) investing activities	**(274,499)**	166,153
Cash flows from financing activities:		
Repurchase of common stock	**—**	(119,997)
Dividends paid	**(20,827)**	(21,111)
Payment of withholding taxes related to share-based compensation net share settlement	**(6,621)**	(8,899)
Net cash provided by (used in) financing activities	**(27,448)**	(150,007)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	**(103,914)**	200,470
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	**296,680**	169,056
Cash and cash equivalents and restricted cash and cash equivalents at end of period	**$ 192,766**	$ 369,526

See accompanying notes to consolidated financial statements.

Note 1. Nature of Business and Basis of Presentation

MGIC Investment Corporation is a holding company which, through Mortgage Guaranty Insurance Corporation ("MGIC"), is principally engaged in the mortgage insurance business. We provide mortgage insurance to lenders throughout the United States and to government sponsored entities to protect against loss from defaults on low down payment residential mortgage loans. MGIC Assurance Corporation ("MAC") and MGIC Indemnity Corporation ("MIC"), insurance subsidiaries of MGIC, provide insurance for certain mortgages under Fannie Mae and Freddie Mac (the "GSEs") credit risk transfer programs.

The accompanying unaudited consolidated financial statements of MGIC Investment Corporation and its wholly-owned subsidiaries have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission ("SEC") for interim reporting and do not include all of the other information and disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2020 included in our 2020 Annual Report on Form 10-K. As used below, "we," "our" and "us" refer to MGIC Investment Corporation's consolidated operations or to MGIC Investment Corporation, as the context requires.

In the opinion of management, the accompanying financial statements include all adjustments, consisting primarily of normal recurring accruals, necessary to fairly state our consolidated financial position and consolidated results of operations for the periods indicated. The consolidated results of operations for an interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

The substantial majority of our NIW has been for loans purchased by the GSEs. The current private mortgage insurer eligibility requirements ("PMIERs") of the GSEs include financial requirements, as well as business, quality control and certain transactional approval requirements. The financial requirements of the PMIERs require a mortgage insurer's "Available Assets" (generally only the most liquid assets of an insurer) to equal or exceed its "Minimum Required Assets" (which are based on an insurer's book of risk in force, calculated from tables of factors with several risk dimensions). Based on our application of the PMIERs, as of March 31, 2021, MGIC's Available Assets are in excess of its Minimum Required Assets; and MGIC is in compliance with the PMIERs and eligible to insure loans purchased by the GSEs.

Subsequent events

We have considered subsequent events through the date of this filing.

Note 2. Significant Accounting Policies

Recent accounting and reporting developments

Accounting standards effective in 2021, or early adopted, and relevant to our financial statements are described below:

Simplifying the Accounting for Income Taxes: ASU 2019-12

Effective January 1, 2021, we adopted FASB guidance which simplifies Accounting for Income Taxes (Topic 740). This update simplifies the accounting for income taxes by removing certain exceptions to Topic 740. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Clarification of Accounting for Equity Securities: ASU 2020-01

Effective January 1, 2021, we adopted ASU 2020-01. ASU 2020-1 clarifies certain interactions of accounting for equity securities under Topic 321, under the equity method of accounting in Topic 323, and accounting for certain forward contracts and purchased options in Topic 815. The amendment clarifies the consideration of observable transactions before applying or discounting the equity method of accounting. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Codification Improvements to Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs: ASU 2020-08

Effective January 1, 2021 we adopted Accounting Standards Update No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. FASB standard 2017-08 shortened the amortization period for certain purchased callable debt securities held at a premium by requiring that entities amortize the premium associated with those callable debt securities within the scope of paragraph 310-20-25-33 to the earliest call date and clarifies the FASB's intent that an entity should reevaluate whether a callable debt security that has multiple call dates is within the scope of paragraph 310-20-35-33 for each reporting period. This guidance clarifies the issuer of a callable debt security should utilize the next call date versus the earliest call date in amortizing premium. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Accounting for Convertible Instruments and Contracts in an Entity's Own Equity: ASU 2020-06

Effective January 1, 2021 we adopted ASU 2020-06 using a modified retrospective basis. ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. It also includes amendments to EPS guidance. The updated guidance reduces the number of accounting models for convertible debt instruments and convertible preferred stock, and eliminated the cash conversion feature within ASU 470. As a result of these changes, more convertible instruments will be reported as a single unit on the balance sheet. We previously accounted for our 9% Debenture under the cash conversion feature, which required us to account for the conversion features of our 9% Debentures within Paid-in Capital. The adoption of this guidance resulted in a $68.3 million cumulative effective adjustment to our 2021 beginning Retained earnings and Paid-in Capital to reflect the 9% Debenture as if we had always accounted for the debt as a liability in its entirety.

The updated guidance also includes updates to the EPS calculation. The ASU requires companies to use the if-converted method, assume share settlement when settlement can be in cash or in shares, use an average market price for the period if the number of shares is based on an entity's share price, and use the weighted average shares from each quarter to calculate the year to date weighted average shares. The ASU also includes improvements to the disclosures for convertible instruments and EPS. The updates within ASU 2020-06 to EPS calculations and disclosures did not have a material impact on our consolidated financial statement disclosures.

Reference Rate Reform: ASU 2020-04

In March 2020, the FASB issued ASU 2020-04 to provide temporary optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform. It provides optional expedients and exceptions for applying generally accepted accounting principles to contract, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. This standard may be elected and applied prospectively over time from March 12, 2020 through December 31, 2022 as reference rate reform activities occur. The adoption of, and future elections under, this ASU are not expected to have a material impact on our consolidated financial statements as the ASU will ease, if warranted, the requirements for accounting for the future effects of the rate reform. We continue to monitor the impact the discontinuance of LIBOR or another reference rate will have on our contracts and other transactions.

Note 3. Debt

Debt obligations

The aggregate carrying values of our long-term debt obligations and their par values, if different, as of March 31, 2021 and December 31, 2020 are presented in table 3.1 below.

Long-term debt obligations
Table 3.1

(In millions)		**March 31, 2021**		December 31, 2020
FHLB Advance - 1.91%, due February 2023	**$**	**155.0**	$	155.0
5.75% Notes, due August 2023 (par value: $242.3 million)		**240.8**	$	240.6
5.25% Notes, due August 2028 (par value: $650 million)		**639.1**		638.8
9% Debentures, due April 2063 (1)		**208.8**		208.8
Long-term debt, carrying value	**$**	**1,243.7**	$	1,243.2

(1) Convertible at any time prior to maturity at the holder's option, at a conversion rate, which is subject to adjustment, of 75.5932 shares per $1,000 principal amount, representing a conversion price of approximately $13.23 per share.

The 5.75% Senior Notes ("5.75% Notes"), 5.25% Senior Notes (5.25% Notes) and 9% Convertible Junior Subordinated Debentures ("9% Debentures") are obligations of our holding company, MGIC Investment Corporation. The Federal Home Loan Bank Advance (the "FHLB Advance") is an obligation of MGIC.

See Note 7 "Debt" in our Annual Report on Form 10-K for the year ended December 31, 2020 for additional information pertaining to our debt obligations. As of March 31, 2021 we are in compliance with all of our debt covenants.

Interest payments

Interest payments for the three months ended March 31, 2021 and 2020 were $25.1 million and $13.0 million.

Note 4. Reinsurance

The reinsurance agreements to which we are a party, excluding captive agreements (which were immaterial), are discussed below. The effect of all of our reinsurance agreements on premiums earned and losses incurred is shown in table 4.1 below.

Reinsurance
Table 4.1

	Three Months Ended March 31,			
(In thousands)		**2021**		2020
Premiums earned:				
Direct	**$**	**296,271**	$	289,868
Assumed		**2,411**		2,609
Ceded		**(43,637)**		(31,576)
Net premiums earned	**$**	**255,045**	$	260,901
Losses incurred:				
Direct	**$**	**48,071**	$	66,562
Assumed		**(25)**		166
Ceded		**(8,410)**		(5,772)
Losses incurred, net	**$**	**39,636**	$	60,956

Quota share reinsurance

We have entered into quota share reinsurance ("QSR") agreements with panels of third-party reinsurers to cede a fixed quota share percentage of premiums earned and received and losses incurred on insurance covered by the transactions. We receive the benefit of a ceding commission equal to 20% of premiums ceded before profit commission. We also receive the benefit of a profit commission through a reduction of premiums we cede. The profit commission varies inversely with the level of losses on a “dollar for dollar” basis and can be eliminated at annual loss ratios higher than we have experienced on our QSR agreements.

Each of our QSR agreements typically have annual loss ratio caps of 300% and lifetime loss ratios of 200%.

Table 4.2 below provides additional detail regarding our QSR agreements.

Reinsurance
Table 4.2

Quota Share Contract	Policy Year	Quota Share %	Annual Loss Ratio to Exhaust Profit Commission [1]	Contractual Termination Date
2015 QSR	Prior to 2017	15.0 %	68.0 %	December 31, 2031
2017 QSR	2017	30.0 %	60.0 %	December 31, 2028
2018 QSR	2018	30.0 %	62.0 %	December 31, 2029
2019 QSR	2019	30.0 %	62.0 %	December 31, 2030
2020 QSR	2020	12.5 %	62.0 %	December 31, 2031
2020 QSR and 2021 QSR	2020 - 2021	17.5 %	62.0 %	December 31, 2032
2021 QSR	2021	12.5 %	57.5 %	December 31, 2032
2022 QSR	2022	15.0 %	57.5 %	December 31, 2033
Credit Union QSR [2]	2020-2025	65.0 %	50.0 %	December 31, 2039

[1] We will receive a profit commission provided the annual loss ratio on loans covered under the transaction remains below this ratio.
[2] Eligible credit union business written before April 1, 2020 was covered by our 2019 and prior QSR Transactions.

We can elect to terminate the quota share reinsurance agreements under specified scenarios without penalty upon prior written notice, including if we will receive less than 90% (80% for the Credit Union QSR Transaction) of the full credit amount under the PMIERs, full financial statement credit or full credit under applicable regulatory capital requirements for the risk ceded in any required calculation period.
Table 4.3 provides additional detail regarding optional termination dates and optional reductions to our quota share percentage which can be elected by us for a fee. The optional reduction to the quota share percentage would give us an option to reduce our quota share percentage from the original percentage as shown in table 4.2.

Reinsurance
Table 4.3

Quota Share Contract	Optional Termination Date [1]	Optional Quota Share % Reduction Date [2]	Quota Share % Reduction
2015 QSR	June 30, 2021	NA	NA
2017 QSR	December 31, 2021	NA	NA
2018 QSR	December 31, 2021	NA	NA
2019 QSR	December 31, 2021	July 1, 2020	25% or 20%
2020 QSR	December 31, 2022	July 1, 2021	10.5% or 8%
2020 QSR and 2021 QSR, 2020 Policy year	December 31, 2022	July 1, 2021	14.5% or 12%
2020 QSR and 2021 QSR, 2021 Policy year	December 31, 2023	July 1, 2022	14.5% or 12%
2021 QSR	December 31, 2023	July 1, 2022	10.5% or 8%
2022 QSR	December 31, 2024	July 1, 2023	12.5% or 10%

[1] We can elect early termination of the QSR agreement beginning on this date, and bi-annually thereafter for the 2015 QSR, 2019 QSR, 2020 QSR, 2021 QSR, and 2022 QSR. Early termination of the 2018 QSR can be elected annually after this date.
[2] We can elect to reduce the quota share percentage beginning on this date, and bi-annually thereafter.

Table 4.4 below provides a summary of our quota share reinsurance agreements, excluding captive agreements, for the three months ended March 31, 2021 and 2020.

Quota Share Reinsurance
Table 4.4

	Three Months Ended March 31,	
(In thousands)	**2021**	2020
Ceded premiums written and earned, net of profit commission	**$ 33,390**	$ 26,846
Ceded losses incurred	**8,405**	5,804
Ceding commissions [1]	**13,067**	11,365
Profit commission	**31,944**	29,979

[1] Ceding commissions are reported within Other underwriting and operating expenses, net on the consolidated statements of operations.

Under the terms of our QSR Transactions, currently in effect, reinsurance premiums, ceding commission and profit commission are settled net on a quarterly basis. The ceded premiums due after deducting the related ceding commission and profit commission is reported within Other liabilities on the consolidated balance sheets.

The reinsurance recoverable on loss reserves related to our QSR Transactions was $102.9 million as of March 31, 2021 and $95.0 million as of December 31, 2020. The reinsurance recoverable balance is secured by funds on deposit from the reinsurers, the amount of which is based on the funding requirements of PMIERs. An allowance for credit losses was not required at March 31, 2021.

Excess of loss reinsurance

We have aggregate excess of loss reinsurance agreements (“Home Re Transactions”) with unaffiliated special purpose insurers domiciled in Bermuda (“Home Re Entities”). For the reinsurance coverage periods, we retain the first layer of the respective aggregate losses paid, and a Home Re Entity will then provide second layer coverage up to the outstanding reinsurance coverage amount. We retain losses paid in excess of the outstanding reinsurance coverage amount. Subject to certain conditions, the reinsurance coverage decreases over a period of either 10 or 12.5 years, depending on the transaction, as the underlying covered mortgages amortize or are repaid, or mortgage insurance losses are paid. MGIC has rights to terminate the Home Re Transactions under certain circumstances.

The Home Re Entities financed the coverages by issuing mortgage insurance-linked notes (“ILNs”) to unaffiliated investors in an aggregate amount equal to the initial reinsurance coverage amounts. The 2018, 2019, and 2020 ILNs each have ten-year legal maturities and the 2021 ILN has a twelve and a half year legal maturity, and each ILN is non-recourse to any assets of MGIC or affiliates. The proceeds of the ILNs, which were deposited into reinsurance trusts for the benefit of MGIC, will be the source of reinsurance claim payments to MGIC and principal repayments on the ILNs.

When a “Trigger Event” is in effect, payment of principal on the related notes will be suspended and the reinsurance coverage available to MGIC under the transactions will not be reduced by such principal payments. As of March 31, 2021 a "Trigger Event" has occurred on each our outstanding ILN transactions. On the 2018 and 2019 ILN transactions a “Trigger Event” has occurred because the reinsured principal balance of loans that were reported 60 or more days delinquent exceeded 4% of the total reinsured principal balance of loans under each transaction. A “Trigger Event” has occurred on our 2020 and 2021 ILN transaction because the credit enhancement of the most senior tranche is less than the target credit enhancement.

Table 4.6 provides a summary of our excess of loss reinsurance agreements as of March 31, 2021 and December 31, 2020.

Excess of Loss Reinsurance
Table 4.6

($ in thousands)	**Home Re 2021-1, Ltd.**	**Home Re 2020-1, Ltd.**	**Home Re 2019-1, Ltd.**	**Home Re 2018-1, Ltd.**
Issue Date	February 2, 2021	October **29**, 2020	May 25, 2019	October 30, 2018
Policy Inforce Dates	August 1, 2020 - December 31, 2020	January 1, 2020 - July 31, 2020	January 1, 2018 - March 31, 2019	July 1, 2016 - December 31, 2017
Optional Call Date [1]	January 25, 2028	October 25, 2027	May 25, 2026	October 25, 2025
Initial First Layer Retention	211,159	275,283	185,730	168,691
Initial Excess of Loss Reinsurance Coverage	398,848	412,917	315,739	318,636
March 31, 2021				
Remaining First Layer Retention	**211,159**	**275,268**	**184,391**	**165,765**
Remaining Excess of Loss Reinsurance Coverage	**398,848**	**412,917**	**208,146**	**218,343**
December 31, 2020				
Remaining First Layer Retention	—	275,283	184,514	166,005
Remaining Excess of Loss Reinsurance Coverage	—	412,917	208,146	218,343

[1] We have the right to terminate the excess-of-loss reinsurance agreements under certain circumstances and on any payment date on or after the respective termination option date.

The reinsurance premiums ceded to each Home Re Entity are composed of coverage, initial expense and supplemental premiums. The coverage premiums are generally calculated as the difference between the amount of interest payable by the Home Re Entity on the remaining reinsurance coverage levels, and the investment income collected on the collateral assets held in a reinsurance trust account and used to collateralize the Home Re Entity's reinsurance obligation to MGIC. The amount of monthly reinsurance coverage premium ceded will fluctuate due to changes in one-month LIBOR, (or the fallback reference rate, as applicable) and changes in money market rates that affect investment income collected on the assets in the reinsurance trust. As a result, we concluded that each reinsurance agreement contains an embedded derivative that is accounted for separately as a freestanding derivative. The fair values of the derivatives at March 31, 2021, were not material to our consolidated balance sheet, and the change in fair value during the three months ended March 31, 2021 was not material to our consolidated statements of operations. Total ceded premiums were $10.3 million for the three months ended March 31, 2021, and $4.7 million for the three months ended March 31, 2020, respectively.

At the time the Home Re Transactions were entered into, we concluded that each Home Re Entity is a variable interest entity ("VIE"). A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make sufficient decisions relating to the entity's operations through voting rights or do not substantively participate in gains and losses of the entity. Given that MGIC (1) does not have the unilateral power to direct the activities that most significantly affect each Home Re Entity's economic performance and (2) does not have the obligation to absorb losses or the right to receive benefits of each Home Re Entity, consolidation of neither Home Re Entity is required.

We are required to disclose our maximum exposure to loss, which we consider to be an amount that we could be required to record in our statements of operations, as a result of our involvement with the VIEs under our Home Re Transactions. As of March 31, 2021, and December 31, 2020, we did not have material exposure to the VIEs as we have no investment in the VIEs and had no reinsurance claim payments due from the VIEs under our reinsurance agreements. We are unable to determine the timing or extent of claims from losses that are ceded under the reinsurance agreements. The VIE assets are deposited in reinsurance trusts for the benefit of MGIC that will be the source of reinsurance claim payments to MGIC. The purpose of the reinsurance trusts is to provide security to MGIC for the obligations of the VIEs under the reinsurance agreements. The trustee of the reinsurance trusts, a recognized provider of corporate trust services, has established segregated accounts within the reinsurance trusts for the benefit of MGIC, pursuant to the trust agreements. The trust agreements are governed by, and construed in accordance with, the laws of the State of New York. If the trustee of the reinsurance trusts failed to distribute claim payments to us as provided in the reinsurance trusts, we would incur a loss related to our losses ceded under the reinsurance agreements and deemed unrecoverable. We are also unable to determine the impact such possible failure by the trustee to perform pursuant to the reinsurance trust agreements may have on our consolidated financial statements. As a result, we are unable to quantify our maximum exposure to loss related to our involvement with the VIEs. MGIC has certain termination rights under the reinsurance agreements should its claims not be paid. We consider our exposure to loss from our reinsurance agreements with the VIEs to be remote.

Table 4.7 presents the total assets of the Home Re Entities as of March 31, 2021 and December 31, 2020.

Home Re total assets
Table 4.7
(In thousands)

Home Re Entity (Issue date)		Total VIE Assets
March 31, 2021		
Home Re 2018-01 Ltd.	**$**	**218,343**
Home Re 2019-01 Ltd.		**208,146**
Home Re 2020-01 Ltd.		**412,917**
Home Re 2021-01 Ltd.		**398,848**
December 31, 2020		
Home Re 2018-01 Ltd.	$	218,343
Home Re 2019-01 Ltd.		208,146
Home Re 2020-01 Ltd.		412,917

The reinsurance trust agreements provide that the trust assets may generally only be invested in certain money market funds that (i) invest at least 99.5% of their total assets in cash or direct U.S. federal government obligations, such as U.S. Treasury bills, as well as other short-term securities backed by the full faith and credit of the U.S. federal government or issued by an agency of the U.S. federal government, (ii) have a principal stability fund rating of “AAAm” by S&P or a money market fund rating of “Aaa-mf” by Moody’s as of the Closing Date and thereafter maintain any rating with either S&P or Moody’s, and (iii) are permitted investments under the applicable credit for reinsurance laws and applicable PMIERs credit for reinsurance requirements.

The total calculated PMIERs credit for risk ceded under our Home Re Transactions is generally based on the PMIERs requirement of the covered loans and the attachment and detachment points of the coverage and is subject to a modest reduction under the PMIERs financial requirements (see Note 1 - “Nature of Business and Basis of Presentation”).

Note 5. Litigation and Contingencies

Before paying an insurance claim, generally we review the loan and servicing files to determine the appropriateness of the claim amount. When reviewing the files, we may determine that we have the right to rescind coverage or deny a claim on the loan (both referred to as “rescissions”). In addition, our insurance policies generally provide that we can reduce a claim if the servicer did not comply with its obligations under our insurance policy (such reduction referred to as a “curtailment”). In recent quarters, an immaterial percentage of claims received in a quarter have been resolved by rescissions. In 2020 and the first three months of 2021, curtailments reduced our average claim paid by approximately 3.6% and 3.9%, respectively. The COVID-19 related foreclosure moratoriums and forbearance plans have decreased our claims paid activity beginning in the second quarter of 2020. It is difficult to predict the level of curtailments once the foreclosure moratoriums and forbearance plans end. Our loss reserving methodology incorporates our estimates of future rescissions, curtailments, and reversals of rescissions and curtailments. A variance between ultimate actual rescission, curtailment and reversal rates and our estimates, as a result of the outcome of litigation, settlements or other factors, could materially affect our losses.

When the insured disputes our right to rescind coverage or curtail claims, we generally engage in discussions in an attempt to settle the dispute. If we are unable to reach a settlement, the outcome of a dispute ultimately may be determined by legal proceedings. Under ASC 450-20, until a loss associated with settlement discussions or legal proceedings becomes probable and can be reasonably estimated, we consider our claim payment or rescission resolved for financial reporting purposes and do not accrue an estimated loss. When we determine that a loss is probable and can be reasonably estimated, we record our best estimate of our probable loss. In those cases, until settlement negotiations or legal proceedings are concluded (including the receipt of any necessary GSE approvals), it is reasonably possible that we will record an additional loss. We are currently involved in discussions and/or proceedings with respect to our claims paying practices. Although it is reasonably possible that when resolved we will not prevail on all matters, we are unable to make a reasonable estimate or range of estimates of the potential liability. We estimate the maximum exposure where a loss is reasonably possible to be approximately $43 million. This estimate of maximum exposure is based upon currently available information; is subject to significant judgment, numerous assumptions and known and unknown uncertainties; will include an amount for matters for which we have recorded a probable loss until such matters are concluded; will include different matters from time to time; and does not include interest or consequential or exemplary damages.

In addition to the matters described above, we are involved in other legal proceedings in the ordinary course of business. In our opinion, based on the facts known at this time, the ultimate resolution of these ordinary course legal proceedings will not have a material adverse effect on our financial position or results of operations.

Note 6. Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of shares of common stock outstanding. For purposes of calculating basic EPS, vested restricted stock and restricted stock units ("RSUs") are considered outstanding. Diluted EPS includes the components of basic EPS and also gives effect to dilutive common stock equivalents. The determination of whether components are dilutive is calculated independently for each period. We calculate diluted EPS using the treasury stock method and if-converted method. Under the treasury stock method, diluted EPS reflects the potential dilution that could occur if unvested RSUs result in the issuance of common stock. Under the if-converted method, diluted EPS reflects the potential dilution that could occur if our 9% Debentures result in the issuance of common stock. The determination of potentially issuable shares does not consider the satisfaction of the conversion requirements and the shares are included in the determination of diluted EPS as of the beginning of the period, if dilutive.

Table 6.1 reconciles the numerators and denominators used to calculate basic and diluted EPS.

Earnings per share
Table 6.1

	Three Months Ended March 31,	
(In thousands, except per share data)	**2021**	2020
Basic earnings per share:		
Net income	**$ 150,021**	$ 149,805
Weighted average common shares outstanding - basic	**338,904**	344,053
Basic earnings per share	**$ 0.44**	$ 0.44
Diluted earnings per share:		
Net income	**$ 150,021**	$ 149,805
Interest expense, net of tax [(1)]:		
9% Debentures	**3,712**	4,566
Diluted income available to common shareholders	**$ 153,733**	$ 154,371
Weighted average common shares outstanding - basic	**338,904**	344,053
Effect of dilutive securities:		
Unvested RSUs	**1,694**	2,033
9% Debentures	**15,785**	19,130
Weighted average common shares outstanding - diluted	**356,383**	365,216
Diluted earnings per share	**$ 0.43**	$ 0.42

(1) Interest expense for the three months ended March 31, 2021 and 2020, respectively, has been tax effected at a rate of 21%.

Note 7. Investments

Fixed income securities

Our fixed income securities classified as available-for-sale at March 31, 2021 and December 31, 2020 are shown in tables 7.1a and 7.1b below.

Details of fixed income securities by category as of March 31, 2021

Table 7.1a

(In thousands)	**Amortized Cost**	**Allowance for Expected Credit Loss**	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ 252,806**	**$ —**	**$ 873**	**$ (222)**	**$ 253,457**
Obligations of U.S. states and political subdivisions	**2,249,876**	**—**	**132,869**	**(14,727)**	**2,368,018**
Corporate debt securities	**2,771,839**	**—**	**104,279**	**(14,990)**	**2,861,128**
ABS	**185,394**	**(31)**	**2,000**	**(222)**	**187,141**
RMBS	**432,148**	**—**	**5,270**	**(1,410)**	**436,008**
CMBS	**317,055**	**—**	**12,875**	**(2,080)**	**327,850**
CLOs	**372,417**	**—**	**966**	**(56)**	**373,327**
Foreign government debt	**4,485**	**—**	**—**	**(96)**	**4,389**
Total fixed income securities	**$ 6,586,020**	**$ (31)**	**$ 259,132**	**$ (33,803)**	**$ 6,811,318**

Details of fixed income securities by category as of December 31, 2020

Table 7.1b

(In thousands)	Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized (Losses) [1]	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	264,531	—	$ 1,164	$ (2)	$ 265,693
Obligations of U.S. states and political subdivisions	2,083,568	—	166,557	(256)	2,249,869
Corporate debt securities	2,690,860	—	155,156	(1,728)	2,844,288
ABS	203,807	(49)	2,946	(18)	206,686
RMBS	425,532	—	6,472	(838)	431,166
CMBS	312,572	—	16,055	(1,125)	327,502
CLOs	310,616	—	566	(692)	310,490
Foreign government debt	4,485	—	224	—	4,709
Commercial paper	21,193	—	—	—	21,193
Total fixed income securities	$ 6,317,164	$ (49)	$ 349,140	$ (4,659)	$ 6,661,596

We had $13.9 million and $14.1 million of investments at fair value on deposit with various states as of March 31, 2021 and December 31, 2020, respectively, due to regulatory requirements of those state insurance departments. In connection with our insurance and reinsurance activities within MAC and MGIC Indemnity Corporation, insurance subsidiaries of MGIC , we are required to maintain assets in trusts for the benefit of contractual counterparties, which had investments at fair value of $167.7 million and $160.3 million at March 31, 2021 and December 31, 2020, respectively.

The amortized cost and fair values of fixed income securities at March 31, 2021, by contractual maturity, are shown in table 7.2 below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Because most ABS, RMBS, CMBS, and CLOs provide for periodic payments throughout their lives, they are listed in separate categories.

Fixed income securities maturity schedule

Table 7.2

	March 31, 2021	
(In thousands)	**Amortized cost**	**Fair Value**
Due in one year or less	**$ 372,100**	**$ 376,608**
Due after one year through five years	**1,964,439**	**2,033,836**
Due after five years through ten years	**1,463,849**	**1,538,784**
Due after ten years	**1,478,618**	**1,537,764**
	5,279,006	**5,486,992**
ABS	**185,394**	**187,141**
RMBS	**432,148**	**436,008**
CMBS	**317,055**	**327,850**
CLOs	**372,417**	**373,327**
Total as of March 31, 2021	**$ 6,586,020**	**$ 6,811,318**

Proceeds from sales of fixed income securities classified as available-for-sale were $56.8 million and $212.8 million during the three months ended March 31, 2021 and 2020, respectively. Gross gains of $3.0 million and gross losses of $0.4 million were realized during the three months ended March 31, 2021. We did not record any realized losses for the three months ended March 31, 2021 related to our intent to sell certain securities. During the three months ended March 31, 2020 gross gains and losses of $5.1 million and $1.3 million, respectively, were realized. We also recorded realized losses of $0.3 million related to our intent to sell certain securities.

During the three months ended March 31, 2021, we reduced our expected credit loss on securities where a credit loss was previously recognized by $18 thousand. There was no allowance for credit losses at March 31, 2020.

Equity securities

The cost and fair value of investments in equity securities at March 31, 2021 and December 31, 2020 are shown in tables 7.3a and 7.3b below.

Details of equity security investments as of March 31, 2021

Table 7.3a

(In thousands)	**Cost**	**Gross Gains**	**Gross Losses**	**Fair Value**
Equity securities	**$ 15,052**	**$ 302**	**$ (35)**	**$ 15,319**

Details of equity security investments as of December 31, 2020

Table 7.3b

(In thousands)	Cost	Gross Gains	Gross Losses	Fair Value
Equity securities	$ 17,522	$ 695	$ (2)	$ 18,215

For the three months ended March 31, 2021, we recognized $0.4 million of net losses on equity securities still held as of March 31, 2021. For the three months ended March 31, 2020, we recognized $0.8 million of net losses on equity securities still held as of March 31, 2020.

Other invested assets

Other invested assets include an investment in Federal Home Loan Bank ("FHLB") stock that is carried at cost, which due to its nature approximates fair value. Ownership of FHLB stock provides access to a secured lending facility, and our current FHLB Advance amount is secured by eligible collateral whose fair value is maintained at a minimum of 102% of the outstanding principal balance of the FHLB Advance. As of March 31, 2021 and December 31, 2020, that collateral consisted of fixed income securities included in our total investment portfolio, and cash and cash equivalents, with a total fair value of $164.1 million and $163.9 million, respectively.

Unrealized investment losses

Tables 7.4a and 7.4b below summarize, for all available-for-sale investments in an unrealized loss position at March 31, 2021 and December 31, 2020, the aggregate fair value and gross unrealized loss by the length of time those securities have been continuously in an unrealized loss position. The fair value amounts reported in tables 7.4a and 7.4b are estimated using the process described in Note 8 - "Fair Value Measurements" to these consolidated financial statements and in Note 3 - "Significant Accounting Policies" of the notes to the consolidated financial statements in our 2020 Annual Report on Form 10-K.

Unrealized loss aging for securities by type and length of time as of March 31, 2021

Table 7.4a

	Less Than 12 Months		12 Months or Greater		**Total**	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	**Fair Value**	**Unrealized Losses**
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 57,006	$ (222)	$ —	$ —	**$ 57,006**	**$ (222)**
Obligations of U.S. states and political subdivisions	522,476	(14,727)	—	—	**522,476**	**(14,727)**
Corporate debt securities	580,879	(14,990)	—	—	**580,879**	**(14,990)**
ABS	50,656	(222)	—	—	**50,656**	**(222)**
RMBS	127,663	(1,387)	3,254	(23)	**130,917**	**(1,410)**
CMBS	70,193	(749)	13,150	(1,331)	**83,343**	**(2,080)**
CLOs	55,161	(15)	24,510	(41)	**79,671**	**(56)**
Foreign government debt	4,389	(96)	—	—	**4,389**	**(96)**
Total	$ 1,468,423	$ (32,408)	$ 40,914	$ (1,395)	**$ 1,509,337**	**$ (33,803)**

Unrealized loss aging for securities by type and length of time as of December 31, 2020

Table 7.4b

	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 2,690	$ (2)	$ —	$ —	$ 2,690	$ (2)
Obligations of U.S. states and political subdivisions	31,416	(256)	—	—	31,416	(256)
Corporate debt securities	44,968	(1,728)	—	—	44,968	(1,728)
ABS	14,929	(18)	—	—	14,929	(18)
RMBS	98,409	(773)	3,566	(65)	101,975	(838)
CMBS	13,212	(789)	2,799	(336)	16,011	(1,125)
CLOs	95,287	(261)	73,904	(431)	169,191	(692)
Total	$ 300,911	$ (3,827)	$ 80,269	$ (832)	$ 381,180	$ (4,659)

Based on current facts and circumstances, we believe the unrealized losses as of March 31, 2021 presented in table 7.4a above are not indicative of the ultimate collectability of the current amortized cost of the securities. The unrealized losses in all categories of our investments at March 31, 2021 were primarily caused by changes in interest rates between the time of purchase and the respective fair value measurement date. We also rely upon estimates of several credit and non-credit factors in our review and evaluation of individual investments to determine whether a credit impairment exists.

There were 403 and 109 securities in an unrealized loss position at March 31, 2021 and December 31, 2020, respectively.

We report accrued investment income separately from fixed income, available-for-sale, securities and we have determined an allowance for credit losses for accrued investment income is not required. Accrued investment income is written off through net realized investment gains (losses) if, and at the time, the issuer of the security defaults or is expected to default on payments.

Note 8. Fair Value Measurements

Recurring fair value measurements

The following describes the valuation methodologies generally used by the independent pricing sources, or by us, to measure financial instruments at fair value, including the general classification of such financial instruments pursuant to the valuation hierarchy.

- Fixed income securities:

  U.S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies: Securities with valuations derived from quoted prices for identical instruments in active markets that we can access are categorized in Level 1 of the fair value hierarchy. Securities valued by surveying the dealer community, obtaining relevant trade data, benchmark quotes and spreads and incorporating this information in the valuation process are categorized as Level 2 of the fair value hierarchy.

  Corporate Debt Bonds are valued by surveying the dealer community, obtaining relevant trade data, benchmark quotes and spreads and incorporating this information into the valuation process. These securities are generally categorized in Level 2 of the fair value hierarchy.

  Obligations of U.S. States & Political Subdivisions are valued by tracking, capturing, and analyzing quotes for active issues and trades reported via the Municipal Securities Rulemaking Board records. Daily briefings and reviews of current economic conditions, trading levels, spread relationships, and the slope of the yield curve provide further data for evaluation. These securities are generally categorized in Level 2 of the fair value hierarchy.

  Residential Mortgage-Backed Securities ("RMBS") are valued by monitoring interest rate movements, and other pertinent data daily. Incoming market data is enriched to derive spread, yield and/or price data as appropriate, enabling known data points to be extrapolated for valuation application across a range of related securities. These securities are generally categorized in Level 2 of the fair value hierarchy.

  Commercial Mortgage-Backed Securities ("CMBS") are valued using techniques that reflect market participants' assumptions and maximize the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves and market corroborated inputs. Evaluation uses regular reviews of the inputs for securities covered, including executed trades, broker quotes, credit information, collateral attributes and/or cash flow waterfall as applicable. These securities are generally categorized in Level 2 of the fair value hierarchy.

  Asset-Backed Securities ("ABS") are valued using spreads and other information solicited from market buy-and-sell-side sources, including primary and secondary dealers, portfolio managers, and research analysts. Cash flows are generated for each tranche, benchmark yields are determined, and deal collateral performance and tranche level attributes including trade activity, bids, and offers are applied, resulting in tranche specific prices. These securities are generally categorized in Level 2 of the fair value hierarchy.

  Collateralized loan obligations ("CLOs") are valued by evaluating manager rating, seniority in the capital structure, assumptions about prepayment, default and recovery and their impact on cash flow generation. Loan level net asset values are determined and aggregated for tranches and as a final step prices are checked against available recent trade activity. These securities are generally categorized in Level 2 of the fair value hierarchy.

  Foreign government debt is valued by surveying the dealer community, obtaining relevant trade data, benchmark quotes and spreads and incorporating this information into the valuation process. These securities are generally categorized in Level 2 of the fair value hierarchy.

  Commercial Paper, which has an original maturity greater than 90 days, is valued using market data for comparable instruments of similar maturity and average yields. These securities are categorized in Level 2 of the fair value hierarchy.

- Equity securities: Consist of actively traded, exchange-listed equity securities, including exchange traded funds ("ETFs"), and Bond Mutual Funds with valuations derived from quoted prices for identical assets in active markets that we can access. These securities are valued in Level 1 of the fair value hierarchy.

- Cash Equivalents: Consists of money market funds and treasury bills with valuations derived from quoted prices for identical assets in active markets that we can access. These securities are valued in level 1 of the fair value hierarchy. Instruments in this category valued using market data for comparable instruments are classified as level 2 in the fair value hierarchy.

- Real estate acquired is valued at the lower of our acquisition cost or a percentage of the appraised value. The percentage applied to the appraised value is based upon our historical sales experience adjusted for current trends. These securities are categorized in level 3 of the fair value hierarchy.

Assets measured at fair value, by hierarchy level, as of March 31, 2021 and December 31, 2020 are shown in tables 8.1a and 8.1b below. The fair value of the assets is estimated using the process described above, and more fully in Note 3 - "Significant Accounting Policies" of the notes to the consolidated financial statements in our 2020 Annual Report on Form 10-K.

Assets carried at fair value by hierarchy level as of March 31, 2021

Table 8.1a

(In thousands)	**Total Fair Value**	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ 253,457**	$ 143,231	$ 110,226	$ —
Obligations of U.S. states and political subdivisions	**2,368,018**	—	2,368,018	—
Corporate debt securities	**2,861,128**	—	2,861,128	—
ABS	**187,141**	—	187,141	—
RMBS	**436,008**	—	436,008	—
CMBS	**327,850**	—	327,850	—
CLOs	**373,327**	—	373,327	—
Foreign government debt	**4,389**	—	4,389	—
Total fixed income securities	**6,811,318**	143,231	6,668,087	—
Equity securities	**15,319**	15,319	—	—
Cash Equivalents	**183,960**	183,960	—	—
Real estate acquired [(1)]	**1,794**	—	—	1,794
Total	**$ 7,012,391**	$ 342,510	$ 6,668,087	$ 1,794

Assets carried at fair value by hierarchy level as of December 31, 2020

Table 8.1b

(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 265,693	$ 149,339	$ 116,354	$ —
Obligations of U.S. states and political subdivisions	2,249,869	—	2,249,869	—
Corporate debt securities	2,844,288	—	2,844,288	—
ABS	206,686	—	206,686	—
RMBS	431,166	—	431,166	—
CMBS	327,502	—	327,502	—
CLOs	310,490	—	310,490	—
Foreign government debt	4,709	—	4,709	—
Commercial paper	21,193	—	21,193	—
Total fixed income securities	6,661,596	149,339	6,512,257	—
Equity securities	18,215	18,215	—	—
Cash Equivalents	288,941	275,668	13,273	—
Real estate acquired [(1)]	1,092	—	—	1,092
Total	$ 6,969,844	$ 443,222	$ 6,525,530	$ 1,092

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

Certain financial instruments, including insurance contracts, are excluded from these fair value disclosure requirements. The carrying values of cash and cash equivalents (Level 1) and accrued investment income (Level 2) approximated their fair values. Additional fair value disclosures related to our investment portfolio are included in Note 7 – "Investments."

Reconciliations of Level 3 assets

For assets measured at fair value using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances for the three months ended March 31, 2021 and 2020 is shown in tables 8.2a and 8.2b below. There were no losses included in earnings for those periods attributable to the change in unrealized losses on assets still held at the end of the applicable period.

Fair value roll-forward for financial instruments classified as Level 3 for the three months ended March 31, 2021
Table 8.2a

(In thousands)		Real Estate Acquired
Balance at December 31, 2020	$	1,092
Purchases		2,008
Sales		(1,431)
Included in earnings and reported as losses incurred, net		125
Balance at March 31, 2021	**$**	**1,794**

Fair value roll-forward for financial instruments classified as Level 3 for the three months ended March 31, 2020
Table 8.2b

(In thousands)		Real Estate Acquired
Balance at December 31, 2019	$	7,252
Purchases		4,115
Sales		(5,198)
Included in earnings and reported as losses incurred, net		57
Balance at March 31, 2020	**$**	**6,226**

Financial assets and liabilities not measured at fair value

Other invested assets include an investment in FHLB stock that is carried at cost, which due to restrictions that require it to be redeemed or sold only to the security issuer at par value, approximates fair value. The fair value of other invested assets is categorized as Level 2.

Financial liabilities include our outstanding debt obligations. The fair values of our 5.75% and 5.25% Notes and 9% Debentures were based on observable market prices. The fair value of the FHLB Advance was estimated using cash flows discounted at current incremental borrowing rates for similar borrowing arrangements. In all cases the fair values of the financial liabilities below are categorized as Level 2.

Table 8.3 presents the carrying value and fair value of our financial assets and liabilities disclosed, but not carried, at fair value at March 31, 2021 and December 31, 2020.

Financial assets and liabilities not measured at fair value
Table 8.3

	March 31, 2021		December 31, 2020	
(In thousands)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Other invested assets	**$ 3,100**	**$ 3,100**	$ 3,100	$ 3,100
Financial liabilities				
FHLB Advance	**155,000**	**160,136**	155,000	160,865
5.75% Senior Notes	**240,762**	**261,248**	240,597	261,752
5.25% Senior Notes	**639,150**	**677,235**	638,782	696,449
9% Convertible Junior Subordinated Debentures	**208,814**	**282,312**	208,814	273,569
Total financial liabilities	**$ 1,243,726**	**$ 1,380,931**	$ 1,243,193	$ 1,392,635

Note 9. Other Comprehensive Income

The pretax and related income tax benefit (expense) components of our other comprehensive (loss) income for the three months ended March 31, 2021 and 2020 are included in table 9.1 below.

Components of other comprehensive income (loss)
Table 9.1

	Three Months Ended March 31,	
(In thousands)	**2021**	2020
Net unrealized investment losses arising during the period	**$ (119,150)**	$ (91,880)
Total income tax benefit (expense)	**25,021**	19,295
Net of taxes	**(94,129)**	(72,585)
Net changes in benefit plan assets and obligations	**1,105**	1,394
Total income tax benefit (expense)	**(232)**	(293)
Net of taxes	**873**	1,101
Total other comprehensive loss	**(118,045)**	(90,486)
Total income tax benefit (expense)	**24,789**	19,002
Total other comprehensive loss, net of tax	**$ (93,256)**	$ (71,484)

The pretax and related income tax (expense) benefit components of the amounts reclassified from our accumulated other comprehensive income (loss) ("AOCI") to our consolidated statements of operations for the three months ended March 31, 2021 and 2020 are included in table 9.2 below.

Reclassifications from AOCI
Table 9.2

	Three Months Ended March 31,	
(In thousands)	**2021**	2020
Reclassification adjustment for net realized (losses) gains[1]	**$ 3,940**	$ 4,714
Income tax (expense) benefit	**(827)**	(990)
Net of taxes	**3,113**	3,724
Reclassification adjustment related to benefit plan assets and obligations [2]	**(1,105)**	(1,394)
Income tax (expense) benefit	**232**	293
Net of taxes	**(873)**	(1,101)
Total reclassifications	**2,835**	3,320
Income tax (expense) benefit	**(595)**	(697)
Total reclassifications, net of tax	**$ 2,240**	$ 2,623

(1) Increases (decreases) Net realized investment gains (losses) on the consolidated statements of operations.

(2) Decreases (Increases) Other underwriting and operating expenses, net on the consolidated statements of operations.

A rollforward of AOCI for the three months ended March 31, 2021, including amounts reclassified from AOCI, are included in table 9.3 below.

Rollforward of AOCI
Table 9.3

	Three Months Ended March 31, 2021		
(In thousands)	Net unrealized gains and (losses) on available-for-sale securities	Net benefit plan assets and (obligations) recognized in shareholders' equity	Total accumulated other comprehensive income (loss)
Balance at December 31, 2020, net of tax	272,137	(55,316)	216,821
Other comprehensive income before reclassifications	(91,016)	—	(91,016)
Less: Amounts reclassified from AOCI	3,113	(873)	2,240
Balance, March 31, 2021, net of tax	**$ 178,008**	**$ (54,443)**	**$ 123,565**

Note 10. Benefit Plans

Table 10.1 provides the components of net periodic benefit cost for our pension, supplemental executive retirement and other postretirement benefit plans for the three months ended March 31, 2021 and 2020.

Components of net periodic benefit cost
Table 10.1

	Three Months Ended March 31,			
	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefit Plans	
(In thousands)	2021	2020	2021	2020
Service cost	**$ 1,664**	$ 1,821	**$ 364**	$ 309
Interest cost	**2,810**	3,414	**164**	214
Expected return on plan assets	**(5,202)**	(5,580)	**(2,215)**	(1,852)
Amortization of net actuarial losses/(gains)	**1,550**	1,634	**(439)**	(190)
Amortization of prior service cost/(credit)	**(60)**	(62)	**53**	13
Net periodic benefit cost (benefit)	**$ 762**	$ 1,227	**$ (2,073)**	$ (1,506)

We currently intend to make contributions totaling $6.2 million to our qualified pension plan and supplemental executive retirement plan in 2021.

Note 11. Loss Reserves

We establish case reserves and loss adjustment expenses ("LAE") reserves on delinquent loans that were reported to us as two payments past due and have not become current or resulted in a claim payment. Such loans are referred to as being in our delinquency inventory. Case reserves are established by estimating the number of loans in our delinquency inventory that will result in a claim payment, which is referred to as the claim rate, and further estimating the amount of the claim payment, which is referred to as claim severity.

IBNR reserves are established for estimated losses from delinquencies we estimate have occurred prior to the close of an accounting period but have not yet been reported to us. IBNR reserves are also established using estimated claim rates and claim severities.

Estimation of losses is inherently judgmental. The conditions that affect the claim rate and claim severity include the current and future state of the domestic economy, including unemployment and the current and future strength of local housing markets; exposure on insured loans; the amount of time between delinquency and claim filing; and curtailments and rescissions. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions, including unemployment and the continued impact of the COVID-19 pandemic, leading to a reduction in borrowers' income and thus their ability to make mortgage payments, the impact of past and future government initiatives and actions taken by the GSEs (including mortgage forbearance programs and foreclosure moratoriums), and a drop in housing values which may affect borrower willingness to continue to make mortgage payments when the value of the home is below the mortgage balance. Loss reserves in future periods will also be dependent on the number of loans reported to us as delinquent.

Changes to our estimates could result in a material impact to our consolidated results of operations and financial position, even in a stable economic environment. It is reasonably possible that given the uncertainty of the impacts of the COVID-19 pandemic, our reserve estimate may continue to be impacted.

In considering the potential sensitivity of the factors underlying our estimate of loss reserves, it is possible that even a relatively small change in our estimated claim rate or severity could have a material impact on loss reserves and, correspondingly, on our consolidated results of operations even in a stable economic environment. For example, as of March 31, 2021, assuming all other factors remain constant, a $1,000 increase/decrease in the average severity reserve factor would change the loss reserve amount by approximately +/- $16 million. A one percentage point increase/decrease in the average claim rate reserve factor would change the loss reserve amount by approximately +/- $31 million.

The "Losses incurred" section of table 11.1 below shows losses incurred on delinquencies that occurred in the current year and in prior years. The amount of losses incurred relating to delinquencies that occurred in the current year represents the estimated amount to be ultimately paid on such delinquencies. The amount of losses incurred relating to delinquencies that occurred in prior years represents the difference between the actual claim rate and severity associated with those delinquencies resolved in the current year compared to the estimated claim rate and severity at the prior year-end, as well as a re-estimation of amounts to be ultimately paid on delinquencies continuing from the end of the prior year. This re-estimation of the claim rate and severity is the result of our review of current trends in the delinquency inventory, such as percentages of delinquencies that have resulted in a claim, the amount of the claims relative to the average loan exposure, changes in the relative level of delinquencies by geography and changes in average loan exposure.

Losses incurred on delinquencies that occurred in the current year decreased in the first three months of 2021 compared to the same period last year due to a decrease in the claim rate, offset by an increase in new delinquency notices. In addition, we decreased IBNR reserve estimates by $4.4 million in the first three months of 2021, compared to a $7.8 million increase in the first three months of 2020. Given the uncertainty surrounding the long-term impact of COVID-19, it is difficult to predict the ultimate effect of the COVID-19 related delinquencies and forbearances on our loss incidence.

The "Losses paid" section of table 11.1 below shows the amount of losses paid on delinquencies that occurred in the current year and losses paid on delinquencies that occurred in prior years. For several years, the average time it took to receive a claim associated with a delinquency had increased significantly from our historical experience of approximately twelve months. This was, in part, due to new loss mitigation protocols established by servicers and to changes in some state foreclosure laws that may include, for example, a requirement for additional review and/or mediation processes. Prior to 2020, we had experienced a decline in the average time it takes servicers to process foreclosures, which has reduced the average time to receive a claim associated with new delinquency notices that do not cure. All else being equal, the longer the period between delinquency and claim filing, the greater the severity.

In light of the uncertainty caused by the COVID-19 pandemic, specifically the foreclosure moratoriums and forbearance plans, we expect the average time it takes to receive a claim will increase.

Premium refunds

Our estimate of premiums to be refunded on expected claim payments is accrued for separately in "Other Liabilities" on our consolidated balance sheets and approximated $33 million and $30 million at March 31, 2021 and December 31, 2020, respectively.

Table 11.1 provides a reconciliation of beginning and ending loss reserves as of and for the three months ended March 31, 2021 and 2020.

Development of reserves for losses and loss adjustment expenses
Table 11.1

	Three Months Ended March 31,	
(In thousands)	**2021**	2020
Reserve at beginning of period	**$ 880,537**	$ 555,334
Less reinsurance recoverable	**95,042**	21,641
Net reserve at beginning of period	**785,495**	533,693
Losses incurred:		
Losses and LAE incurred in respect of delinquency notices received in:		
Current year	**41,425**	59,799
Prior years [1]	**(1,789)**	1,157
Total losses incurred	**39,636**	60,956
Losses paid:		
Losses and LAE paid in respect of delinquency notices received in:		
Current year	**—**	39
Prior years	**14,922**	45,633
Reinsurance terminations	**—**	(20)
Total losses paid	**14,922**	45,652
Net reserve at end of period	**810,209**	548,997
Plus reinsurance recoverables	**102,901**	25,756
Reserve at end of period	**$ 913,110**	$ 574,753

[1] A positive number for prior year loss development indicates a deficiency of prior year reserves. A negative number for prior year loss development indicates a redundancy of prior year loss reserves. See the following table for more information about prior year loss development.

The prior year development of the reserves in the first three months of 2021 and 2020 is reflected in table 11.2 below.

Reserve development on previously received delinquencies
Table 11.2

	Three Months Ended March 31,	
(In thousands)	**2021**	2020
Increase (decrease) in estimated claim rate on primary defaults	**$ 87**	$ (705)
Increase (decrease) in estimated severity on primary defaults	**59**	3,833
Change in estimates related to pool reserves, LAE reserves, reinsurance, and other	**(1,935)**	(1,971)
Total prior year loss development [1]	**$ (1,789)**	$ 1,157

[1] A positive number for prior year loss development indicates a deficiency of prior year loss reserves. A negative number for prior year loss development indicates a redundancy of prior year loss reserves.

Delinquency inventory

A rollforward of our primary delinquency inventory for the three months ended March 31, 2021 and 2020 appears in table 11.3 below. The information concerning new notices and cures is compiled from monthly reports received from loan servicers. The level of new notice and cure activity reported in a particular month can be influenced by, among other things, the date on which a servicer generates its report, the number of business days in a month and transfers of servicing between loan servicers.

Delinquency inventory rollforward
Table 11.3

	Three Months Ended March 31,	
	2021	2020
Delinquency inventory at beginning of period	**57,710**	30,028
New notices	**13,011**	12,398
Cures	**(17,628)**	(14,113)
Paid claims	**(312)**	(897)
Rescissions and denials	**(6)**	(32)
Delinquency inventory at end of period	**52,775**	27,384

COVID-19 Activity

Our delinquency inventory increased beginning in the second quarter of 2020 because of the impacts of the COVID-19 pandemic, including the high level of unemployment and economic uncertainty resulting from measures to reduce the transmission of COVID-19. Starting in the third quarter of 2020, we experienced an increase in cures associated with our COVID-19 new delinquency notices. Government initiatives and actions taken by the GSEs provide for payment forbearance on mortgages to borrowers experiencing hardship during the COVID-19 pandemic. These forbearance plans generally allow for mortgage payments to be suspended for up to 18 months: an initial forbearance period of up to six months; if requested by the borrower, an extension of up to six months; and, for loans in a COVID-19 forbearance plan as of February 28, 2021, an additional extension up to six months, subject to certain limits.

Table 11.4 below shows the number of consecutive months a borrower is delinquent. Historically as a delinquency ages it becomes more likely to result in a claim.

Primary delinquency inventory - consecutive months delinquent
Table 11.4

	March 31, 2021	December 31, 2020	March 31, 2020
3 months or less	**9,194**	11,542	7,567
4-11 months	**29,832**	34,620	9,535
12 months or more [1]	**13,749**	11,548	10,282
Total	**52,775**	57,710	27,384
3 months or less	**17 %**	20 %	28 %
4-11 months	**57 %**	60 %	35 %
12 months or more	**26 %**	20 %	37 %
Total	**100 %**	100 %	100 %
Primary claims received inventory included in ending delinquent inventory	**151**	159	472

(1) Approximately 26%, 31%, and 34% of the primary delinquency inventory delinquent for 12 consecutive months or more has been delinquent for at least 36 consecutive months as of March 31, 2021, December 31, 2020, and March 31, 2020, respectively.

The increase in delinquency inventory that is 4-11 consecutive months delinquent compared to March 31, 2020 and the increase in delinquency inventory that is 12 months or more delinquent compared to March 31, 2020 and December 31, 2020 is primarily due to the number of new delinquency notices received in the second quarter of 2020 resulting from the impacts of the COVID-19 pandemic. This was partially offset by an increase in cures in the second half of 2020 and in 2021.

Claims paying practices

Our loss reserving methodology incorporates our estimates of future rescissions. A variance between ultimate actual rescission rates and our estimates, as a result of the outcome of litigation, settlements or other factors, could materially affect our losses. For information about discussions and legal proceedings with customers with respect to our claims paying practices see Note 5 – “Litigation and Contingencies.”

Note 12. Shareholders' Equity

Change in Accounting Policy

As of January 1, 2021, we adopted the updated guidance for "A*ccounting for Convertible Instruments and Contracts in an Entity's Own Equity".* The application of this guidance resulted in a $68.3 million cumulative effect adjustment to our 2021 beginning retained earnings and paid in capital to reflect the 9% Debenture as if we had always accounted for the debt as a liability in its entirety

Share repurchase programs

We did not repurchase any shares during the three months ended March 31, 2021 compared to the repurchase of 9.6 million shares of commons stock at an average cost of $12.47 for the three months ended March 31, 2020. We may repurchase up to an additional $291 million of our common stock through the end of 2021 under a share repurchase program approved by our Board of Directors in 2020. Repurchases may be made from time to time on the open market or through privately negotiated transactions. The repurchase program may be suspended for periods or discontinued at any time, and in light of the uncertainty caused by the COVID-19 pandemic, we had temporarily suspended stock repurchases but may resume them in the future.

Cash dividends

In March of 2021, we paid quarterly cash dividends of $0.06 per share to shareholders which totaled $21 million. On April 29, 2021, the Board of Directors declared a quarterly cash dividend to holders of the company's common stock of $0.06 per share payable on May 27, 2021, to shareholders of record at the close of business on May 13, 2021.

Note 13. Share-Based Compensation

We have certain share-based compensation plans. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period which generally corresponds to the vesting period. Awards under our plans generally vest over periods ranging from one to three years.

Table 13.1 shows the number of restricted stock units (RSUs) granted to employees and the weighted average fair value per share during the periods presented (shares in thousands).

Restricted stock unit grants

Table 13.1

	Three months ended March 31,			
	2021		2020	
	RSUs Granted *(in thousands)*	**Weighted Average Share Fair Value**	RSUs Granted *(in thousands)*	Weighted Average Share Fair Value
RSUs subject to performance conditions	**966**	**$ 12.82**	1,282	$ 12.87
RSUs subject only to service conditions	**398**	**12.82**	373	13.11

Note 14. Statutory Information

Statutory Capital Requirements

The insurance laws of 16 jurisdictions, including Wisconsin, our domiciliary state, require a mortgage insurer to maintain a minimum amount of statutory capital relative to the RIF (or a similar measure) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the "State Capital Requirements" and, together with the GSE Financial Requirements, the "Financial Requirements." While they vary among jurisdictions, the most common State Capital Requirements allow for a maximum risk-to-capital ratio of 25 to 1. A risk-to-capital ratio will increase if (i) the percentage decrease in capital exceeds the percentage decrease in insured risk, or (ii) the percentage increase in capital is less than the percentage increase in insured risk. Wisconsin does not regulate capital by using a risk-to-capital measure but instead requires a minimum policyholder position ("MPP"). The "policyholder position" of a mortgage insurer is its net worth or surplus, contingency reserve and a portion of the reserves for unearned premiums.

At March 31, 2021, MGIC's risk-to-capital ratio was 8.8 to 1, below the maximum allowed by the jurisdictions with State Capital Requirements, and its policyholder position was $3.4 billion above the required MPP of $1.7 billion. The calculation of our risk-to-capital ratio and MPP reflect credit for the risk ceded under our reinsurance transactions. It is possible that MGIC will not be allowed full credit for the risk ceded to the reinsurers. If MGIC is not allowed an agreed level of credit under either the State Capital Requirements or the financial requirements of the PMIERs, MGIC may terminate the reinsurance agreements, without penalty. At this time, we expect MGIC to continue to comply with the current State Capital Requirements; however, you should read the rest of these financial statement footnotes for information about matters that could negatively affect such compliance.

At March 31, 2021, the risk-to-capital ratio of our combined insurance operations was 8.8 to 1.

While MGIC currently meets the State Capital Requirements of Wisconsin and all other jurisdictions, it could be prevented from writing new business in the future in all jurisdictions if it fails to meet the State Capital Requirements of Wisconsin, or it could be prevented from writing new business in a particular jurisdiction if it fails to meet the State Capital Requirements of that jurisdiction, and in each case MGIC does not obtain a waiver of such requirements. It is possible that regulatory action by one or more jurisdictions, including those that do not have specific State Capital Requirements, may prevent MGIC from continuing to write new insurance in such jurisdictions.

If we are unable to write business in all jurisdictions, lenders may be unwilling to procure insurance from us anywhere. In addition, a lender's assessment of the future ability of our insurance operations to meet the State Capital Requirements or the PMIERs may affect its willingness to procure insurance from us. A possible future failure by MGIC to meet the State Capital Requirements or the PMIERs will not necessarily mean that MGIC lacks sufficient resources to pay claims on its insurance liabilities. While we believe MGIC has sufficient claims paying resources to meet its claim obligations on its insurance in force on a timely basis, you should read the rest of these financial statement footnotes for information about matters that could negatively affect MGIC's claims paying resources, including the effects of the COVID-19 pandemic.

Dividend restrictions

MGIC did not pay cash and/or investment security dividends to our holding company during the first quarter of 2021 due to the uncertainty of the COVID-19 pandemic.

MGIC is subject to statutory regulations as to payment of dividends. The maximum amount of dividends that MGIC may pay in any twelve-month period without regulatory approval by the 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. Before making any dividend payments in 2021, we will notify the OCI to ensure it does not object.

Under the PMIERs guidance, any dividend paid by MGIC to our holding company, through June 30, 2021, requires GSE approval.

The OCI recognizes only statutory accounting principles prescribed, or practices permitted by the State of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company. The OCI has adopted certain prescribed accounting practices that differ from those found in other states. Specifically, Wisconsin domiciled companies record changes in their contingency reserves through their income statement as a change in underwriting deduction. As a result, in periods in which MGIC is increasing contingency reserves, statutory net income is reduced.

Statutory Financial Information

The statutory net income, policyholders' surplus, and contingency reserve liability of the insurance subsidiaries of our holding company are shown in table 14.1. The surplus amounts included in the following table are the combined policyholders' surplus of our insurance operations as utilized in our risk-to-capital calculations.

Financial information of our insurance subsidiaries
Table 14.1

	As of and for the Three Months Ended March 31,	
(In thousands)	**2021**	2020
Statutory net income	**$ 47,775**	$ 55,746
Statutory policyholders' surplus	**1,383,114**	1,271,244
Contingency reserve	**3,733,126**	3,166,180

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following is management’s discussion and analysis of the financial condition and results of operations of MGIC Investment Corporation for the first quarter of 2021. While the increased unemployment and economic uncertainty resulting from the COVID-19 pandemic had a material impact on our 2020 financial results, as we reserved for losses associated with the increased delinquency notices received, it had a limited impact on our first quarter 2021 results. While uncertain, the future impact of the COVID-19 pandemic on the Company’s financial results, liquidity and/or financial condition may also be material. As used below, “we” and “our” refer to MGIC Investment Corporation’s consolidated operations. This form 10-Q should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020. See the “Glossary of terms and acronyms” for definitions and descriptions of terms used throughout this MD&A. The Risk Factors referred to under “Forward Looking Statements and Risk Factors” below, discuss trends and uncertainties affecting us and are an integral part of the MD&A.

Forward Looking and Other Statements

As discussed under “Forward Looking Statements and Risk Factors” below, actual results may differ materially from the results contemplated by forward looking statements. These forward looking statements, including the discussion of the impact of the COVID-19 pandemic, speak only as of the date of this filing and are subject to change without notice as the Company cannot predict all risks relating to this evolving set of events. We are not undertaking any obligation to update any forward looking statements or other statements we may make in the following discussion or elsewhere in this document even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. Therefore, no reader of this document should rely on these statements being current as of any time other than the time at which this document was filed with the Securities and Exchange Commission.

Overview

Summary financial results of MGIC Investment Corporation

(In millions, except per share data, unaudited)	Three Months Ended March 31, 2021	2020	% Change
Selected statement of operations data			
Net premiums earned	**$ 255.0**	$ 260.9	(2)
Investment income, net of expenses	**37.9**	41.3	(8)
Losses incurred, net	**39.6**	61.0	(35)
Other underwriting and operating expenses, net	**48.0**	42.3	13
Income before tax	**189.6**	188.2	1
Provision for income taxes	**39.6**	38.4	3
Net income	**150.0**	149.8	—
Diluted income per share	**$ 0.43**	$ 0.42	2
Non-GAAP Financial Measures [1]			
Adjusted pre-tax operating income	**$ 187.0**	$ 185.4	1
Adjusted net operating income	**148.0**	147.5	—
Adjusted net operating income per diluted share	**$ 0.42**	$ 0.42	—

[1] See "Explanation and reconciliation of our use of Non-GAAP financial measures."

Summary of first quarter 2021 results

Comparative quarterly results

We recorded first quarter 2021 net income of $150.0 million, or $0.43 per diluted share. Net income increased by $0.2 million from net income of $149.8 million in the prior year primarily reflecting a decrease in losses incurred, net, partially offset by higher other underwriting and operating expenses, net, lower net premiums earned, higher interest expense and lower investment income, net of expenses.

Diluted income per share increased slightly due a decrease in the number of diluted weighted average shares outstanding and an increase in net income. Adjusted net operating income for the first quarter 2021 was $148.0 million (Q1 2020: $147.5 million) and adjusted net operating income per diluted share was $0.42 (Q1 2020: $0.42).

Net premiums earned declined as a result of lower net premiums written, partially offset by an increase in accelerated premiums earned from single premium policy cancellations. The decrease in net premium written during the first quarter of 2021 was due to an increase in ceded premiums written and lower average premium rates on our insurance in force. These impacts were partially offset by higher average insurance in force.

Investment income, net of expenses decreased due to lower investment yields, partially offset by an increase in the investment portfolio balance.

Losses incurred, net for the first quarter of 2021 were $39.6 million, a decrease of $21.3 million compared to the prior year.
In the three months ended March 31, 2021 and 2020 our re-estimation of loss reserves on previously received delinquencies did not result in any significant development. The first quarter of 2021 reflects a decrease in our IBNR and other reserve of $4 million compared to an increase in IBNR of $8 million in the first quarter of 2020. In addition, the claim rate on new notices decreased in the first three months of 2021, compared to the same period last year.

The increase in other underwriting and operating expenses, net is primarily due to an increase in fees for professional and consulting services and share-based compensation benefits.

See "Consolidated Results of Operations" below for additional discussion of our results for the three months ended March 31, 2021 compared to the respective prior year period.

Capital

MGIC dividend payments to our holding company

MGIC did not pay a cash and/or investment security dividend to our holding company in the first quarter of 2021, compared to a $390 million dividend in the first quarter of 2020. Future dividend payments from MGIC to the holding company will continue to be determined on a quarterly basis in consultation with the board, and after considering any updated estimates about the length and severity of the economic impacts of the COVID-19 pandemic on our business. We ask the Wisconsin OCI not to object before MGIC pays dividends to the holding company.

Under the PMIERs guidance, any dividend paid by MGIC to our holding company, through June 30, 2021, requires GSE approval.

Share repurchase programs

We did not repurchase any shares during the three months ended March 31, 2021 compared to the repurchase of 9.6 million shares of commons stock for the three months ended March 31, 2020. As of March 31, 2021 we had $291 million remaining to repurchase of our common stock through the end of 2021 under a share repurchase program approved by our Board of Directors in January 2020. Repurchases may be made from time to time on the open market, including through 10b5-1 plans, or through privately negotiated transactions. The repurchase programs may be suspended for periods or discontinued at any time, and in light of the uncertainty caused by the COVID-19 pandemic, we had temporarily suspended stock repurchases, although they may resume in the future. As of March 31, 2021, we had approximately 339 million shares of common stock outstanding.

Dividends to shareholders

In March 2021, we paid a dividend of $0.06 per common share totaling $21 million to our shareholders. On April 29, 2021, our Board of Directors declared a quarterly cash dividend of $0.06 per common share to shareholders of record on May 13, 2021, payable on May 27, 2021.

GSEs

We must comply with a GSE's PMIERS to be eligible to insure loans delivered to or purchased by that GSE. The PMIERs include financial requirements, as well as business, quality control and certain transactional approval requirements. The financial requirements of the PMIERs require a mortgage insurer's "Available Assets" (generally only the most liquid assets of an insurer) to equal or exceed its "Minimum Required Assets" (which are based on an insurer's book of risk in force, calculated from tables of factors with several risk dimensions, reduced for credit given for risk ceded under reinsurance transactions, and subject to a floor amount). Based on our application of the more restrictive PMIERs as of March 31, 2021, MGIC's Available Assets totaled $5.5 billion, or $2.3 billion in excess of its Minimum Required Assets.

The PMIERs generally require us to hold significantly more Minimum Required Assets for delinquent loans than for performing loans and the Minimum Required Assets required to be held increases as the number of payments missed on a delinquent loan increases. For delinquent loans whose initial missed payment occurred on or after March 1, 2020 and prior to April 1, 2021 (the "COVID-19 Crisis Period"), the Minimum Required Assets are generally reduced by 70% for at least three months. The 70% reduction will continue, or be newly applied, for delinquent loans that are subject to a forbearance plan that is granted in response to a financial hardship related to COVID-19, the terms of which are materially consistent with terms of forbearance plans offered by Freddie Mac or Fannie Mae. Under the PMIERs, a forbearance plan on a loan with an initial missed payment occurring during the COVID-19 Crisis Period is assumed to have been granted in response to a financial hardship related to COVID-19. Loans considered to be subject to a forbearance plan include those that are in a repayment plan or loan modification trial period following the forbearance plan.

Forbearance for federally-insured mortgages allows for mortgage payments to be suspended for up to 18 month: an initial forbearance period of up to six months; if requested by the borrower following contact by the servicers, an extension of up to six months; and, for loans in a COVID-19 forbearance plan as of February 28, 2021, an additional six months, subject to certain limits. The servicer of the loan must begin attempts to contact the borrower no later than 30 days prior to the expiration of any forbearance plan term and must continue outreach attempts until appropriate contact is made or the forbearance plan term has expired.

If a servicer of a loan is unable to contact the borrower prior to the expiration of the first 180-day forbearance plan term, or if the forbearance plan reaches its twelve-month anniversary and is not further extended, the forbearance plan will generally expire. In such case, if the loan remains delinquent, the 70% reduction in Minimum Required Assets for that loan will no longer be applicable, our Minimum Required Assets will increase and our excess of Available Assets over Minimum Required Assets will decrease.

If MGIC ceases to be eligible to insure loans purchased by one or both of the GSEs, it would significantly reduce the volume of our NIW, the substantial majority of which is for loans delivered to or purchased by the GSEs. In addition to the increase in Minimum Required Assets associated with delinquent loans, factors that may negatively impact MGIC's ability to continue to comply with the financial requirements of the PMIERs include the following:

- The GSEs may make the PMIERs more onerous in the future. The PMIERs provide that the factors that determine Minimum Required Assets will be updated periodically, or as needed if there is a significant change in macroeconomic conditions or loan performance. We do not anticipate that the regular periodic updates will occur more frequently than once every two years. The PMIERs state that the GSEs will provide notice 180 days prior to the effective date of updates to the factors; however, the GSEs may amend any portion of the PMIERs at any time, including by imposing restrictions specific to our company..
- There may be future implications for PMIERs as a result of changes to regulatory capital requirements for the GSEs. In November 2020, the FHFA adopted a rule containing a risk-based capital framework for the GSEs that will increase their capital requirements, effective on the later of (i) the date of termination of the FHFA's conservatorship of the applicable GSE; (ii) sixty days after publication of the adopted rule in the Federal Register; or (iii) any later compliance date provided in a consent order or other transition order applicable to a GSE. The increase in capital requirements may ultimately result in an increase in the Minimum Required Assets required to be held by mortgage insurers
- Our future operating results may be negatively impacted by the matters discussed in our risk factors. Such matters could decrease our revenues, increase our losses or require the use of assets, thereby creating a shortfall in Available Assets.

Our reinsurance transactions enable us to earn higher returns on our business than we would without them because they reduce the Minimum Required Assets we must hold under PMIERs. However, reinsurance may not always be available to us; or available on similar terms, and our quota share reinsurance subjects us to counterparty credit risk. The calculated credit for excess of loss reinsurance transactions under PMIERs is generally based on the PMIERs requirement of the covered loans and the attachment and detachment point of the coverage. PMIERs credit is generally not given for the reinsured risk above the PMIERs requirement. The total credit under the PMIERS for risk ceded under our reinsurance transactions is subject to a modest reduction. Our existing reinsurance transactions are subject to periodic review by the GSEs and there is a risk we will not receive our current level of credit in future periods for the risk ceded under them. In addition, we may not receive the same level of credit under future transactions that we receive under existing transactions.

State Regulations

The insurance laws of 16 jurisdictions, including Wisconsin, our domiciliary state, require a mortgage insurer to maintain a minimum amount of statutory capital relative to its RIF (or a similar measure) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the “State Capital Requirements.” While they vary among jurisdictions, the most common State Capital Requirements allow for a maximum risk-to-capital ratio of 25 to 1. A risk-to-capital ratio will increase if (i) the percentage decrease in capital exceeds the percentage decrease in insured risk, or (ii) the percentage increase in capital is less than the percentage increase in insured risk. Wisconsin does not regulate capital by using a risk-to-capital measure but instead requires an MPP. The “policyholder position” of a mortgage insurer is its net worth or surplus, contingency reserve, and a portion of the reserve for unearned premiums

At March 31, 2021, MGIC’s risk-to-capital ratio was 8.8 to 1, below the maximum allowed by the jurisdictions with State Capital Requirements, and its policyholder position was $3.4 billion above the required MPP of $1.7 billion. The calculation of our risk-to-capital ratio and MPP reflect credit for the risk ceded under our reinsurance transactions. It is possible that under the revised State Capital Requirements discussed below, MGIC will not be allowed full credit for the risk ceded to the reinsurers. If MGIC is not allowed an agreed level of credit under either the State Capital Requirements or the PMIERs, MGIC may terminate the reinsurance transactions, without penalty. While we expect MGIC to continue to comply with the current State Capital Requirements, refer to our risk factor titled “State capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis” for more information about matters that could negatively affect such compliance.

At March 31, 2021, the risk-to-capital ratio of our combined insurance operations was 8.8 to 1.

The NAIC has previously announced plans to revise the minimum capital and surplus requirements for mortgage insurers that are provided for in its Mortgage Guaranty Insurance Model Act. In December 2019, a working group of state regulators released an exposure draft of a revised Mortgage Guaranty Insurance Model Act and a risk-based capital framework to establish capital requirements for mortgage insurers, although no date has been established by which the NAIC must propose revisions to the capital requirements and certain items have not yet been completely addressed by the framework, including the treatment of ceded risk and minimum capital floors. Currently we believe that the PMIERs contain more restrictive capital requirements than the draft Mortgage Guaranty Insurance Model Act in most circumstances.

GSE reform

The FHFA has been the conservator of the GSEs since 2008 and has the authority to control and direct their operations. The increased role that the federal government has assumed in the residential housing finance system through the GSE conservatorship may increase the likelihood that the business practices of the GSEs change, including through administrative action, in ways that have a material adverse effect on us and that the charters of the GSEs are changed by new federal legislation.

In 2019, the U.S. Treasury Department (“Treasury”) released the “Treasury Housing Reform Plan” (the “Plan”). The Plan recommends administrative and legislative reforms for the housing finance system, with such reforms intended to achieve the goals of ending conservatorships of the GSEs; increasing competition and participation by the private sector in the mortgage market including by authorizing the FHFA to approve additional guarantors of conventional mortgages in the secondary market, simplifying the qualified mortgage (“QM”) rule of the Consumer Financial Protection Bureau (“CFPB”), transferring risk to the private sector, and eliminating the GSE Patch (discussed below); establishing regulation of the GSEs that safeguards their safety and soundness and minimizes the risks they pose to the financial stability of the United States; and providing that the federal government is properly compensated for any explicit or implicit support it provides to the GSEs or the secondary housing finance market.

The GSE capital framework adopted in November 2020 establishes a post-conservatorship regulatory capital framework intended to ensure that the GSEs operate in a safe and sound manner. In January 2021, the GSEs' Preferred Stock Purchase Agreements ("PSPAs") were amended to allow the GSEs to continue to retain earnings until they satisfy the requirements of the 2020 GSE capital framework. In addition, a proposed rule issued by the FHFA in December 2020 would require minimum funding requirements and new liquidity standards.

The impact of the Plan on private mortgage insurance is unclear. The plan does not refer to mortgage insurance explicitly; however, it refers to a requirement for credit enhancement on high LTV ratio loans, which is a requirement of the current GSE charters. The Plan also indicates that the FHFA should continue to support efforts to expand credit risk transfer (“CRT”) programs and should encourage the GSEs to continue to engage in a diverse mix of economically sensible CRT programs, including by increasing reliance on institution-level capital (presumably, as distinguished from capital obtained in the capital markets). For more information about CRT programs, see our risk factor titled "*The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.*"

In late 2020, the CFPB adopted a rule that would have eliminated the GSE Patch effective upon the earlier of the

GSEs' exit from conservatorship or July 1, 2021. In addition, a new QM definition would have become effective March 1, 2021. Although the CFPB has proposed to delay the elimination of the GSE Patch and the effectiveness of the new QM definition until October 1, 2022, the GSEs have announced that loans with applications received on or after July 1, 2021 cannot be GSE Patch loans and must conform to the new QM definition. The GSE Patch had expanded the definition of QM under the Truth in Lending Act (Regulation Z) ("TILA") to include mortgages eligible to be purchased by the GSEs, even if the mortgages do not meet the debt-to-income ("DTI") ratio limit of 43% that is included in the standard QM definition. Originating a QM may provide a lender with legal protection from lawsuits that claim the lender failed to verify a borrower's ability to repay. The new QM definition continues to require lenders to consider a borrower's DTI ratio; however, it replaces the DTI ratio cap with a pricing threshold that would exclude from the definition of QM a loan whose annual percentage rate ("APR") exceeds the average prime offer rate for comparable loans by 2.25 percentage points or more.

Treasury's Plan indicated that the FHFA and HUD should develop and implement a specific understanding as to the appropriate roles and overlap between the GSEs and FHA, including with respect to the GSEs' acquisitions of high LTV ratio and high DTI ratio loans. In connection with the 2021 amendment to the PSPAs, the GSEs must limit the acquisition of certain loans with multiple higher risk characteristics related to LTV, DTI and credit score, to levels indicated to be their current levels at the time of the amendment.

For additional information about the business practices of the GSEs, see our risk factor titled "Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses."

COVID-19 Pandemic

The increased level of unemployment and economic uncertainty resulting from the COVID-19 pandemic, initiatives to reduce the transmission of COVID-19 (including "shelter-in-place" restrictions), as well as COVID-19-related illnesses and deaths, had a material impact on our 2020 financial results, as we reserved for losses associated with the increased delinquency notices received. While uncertain, the future impact of the COVID-19 pandemic on the Company's business, financial results, liquidity and/or financial condition may also be material. The magnitude of the impact will be influenced by various factors, including the length and severity of the pandemic in the United States, the length of time that measures intended to reduce the transmission of COVID-19 remain in place, the level of unemployment, and the impact of past and future government initiatives and actions taken by the GSEs (including mortgage forbearance and modification programs) to mitigate the economic harm caused by the COVID-19 pandemic and efforts to reduce its transmission. Current mitigation programs include, among others:

- Payment forbearance on federally-backed mortgages (including those delivered to or purchased by the GSEs) to borrowers experiencing a hardship during the COVID-19 pandemic.
- Additional cash payments to individuals provided for in the American Rescue Plan signed into law in March 2021.
- For those mortgages that are not subject to forbearance, a suspension of foreclosures and evictions until at least June 30, 2021, on mortgages purchased or securitized by the GSEs.
- Enhanced unemployment payments through September 6, 2021.
- An extension of the maximum duration for unemployment benefits, generally through September 6, 2021.

As noted above, the servicer of the loan must begin attempts to contact the borrower no later than 30 days prior to the expiration of any forbearance plan term and must continue outreach attempts until appropriate contact is made or the forbearance plan term has expired. In certain circumstances, the servicer may be unable to contact the borrower and the forbearance plan will expire after the first six months. A delinquent mortgage for which the borrower was unable to be contacted and that is not in a forbearance plan may be more likely to result in a claim than a delinquent loan in a forbearance plan. The substantial majority of our NIW was delivered to or purchased by the GSEs. While servicers of some non-GSE loans may not be required to offer forbearance to borrowers, we allow servicers to apply GSE loss mitigation programs to non-GSE loans. In addition, the CFPB requires substantial loss mitigation efforts be made prior to servicers initiating foreclosure, therefore, servicers of non-GSE loans may have an incentive to offer forbearance or deferment.

Historically, forbearance plans have reduced the incidence of our losses on affected loans. However, given the uncertainty surrounding the long-term economic impact of COVID-19, it is difficult to predict the ultimate effect of COVID-19 related forbearances on our loss incidence. As of March 31, 2021 61% of our delinquency inventory was reported to us as in forbearance plans. Whether a loan's delinquency will cure, including through modification, when its forbearance plan ends will depend on the economic circumstances of the borrower at that time. The severity of losses associated with loans whose delinquencies do not cure will depend on economic conditions at that time, including home prices.

The GSEs have introduced specific loss mitigation options for borrowers impacted by COVID-19 when their forbearance plans end, including the COVID-19 Payment Deferral solution for borrowers who are unable to immediately or gradually repay their missed loan payments. Under the COVID-19 Payment Deferral solution, the borrower's monthly loan payment would be returned to its pre-COVID amount and the missed payments would be added to the end of the mortgage term without accruing any additional interest or late fees. The deferred payments would be due when the loan is paid off, refinanced or the home is sold.

The foreclosure moratoriums and forbearance plans in place under the GSE initiatives have delayed, and may continue to delay, the receipt and payment of claims.

Factors affecting our results

As noted above, the COVID-19 pandemic may adversely affect our future business, results of operations, and financial condition. The extent of the adverse effects will depend on the duration and continued severity of the COVID-19 pandemic and its effects on the U.S. economy and housing market. We have addressed some of the potential impacts throughout this document.

Our results of operations are generally affected by:

Premiums written and earned

Premiums written and earned in a year are influenced by:

- NIW, which increases IIF. Many factors affect NIW, including the volume of low down payment home mortgage originations and competition to provide credit enhancement on those mortgages from the FHA, the VA, other mortgage insurers, and other alternatives to mortgage insurance, including GSE programs that may reduce or eliminate the demand for mortgage insurance. NIW does not include loans previously insured by us that are modified, such as loans modified under HARP.

- Cancellations, which reduce IIF. Cancellations due to refinancings are affected by the level of current mortgage interest rates compared to the mortgage coupon rates throughout the in force book, current home values compared to values when the loans in the in force book were insured and the terms on which mortgage credit is available. Home price appreciation can give homeowners the right to cancel mortgage insurance on their loans if sufficient home equity is achieved. Cancellations also result from policy rescissions, which require us to return any premiums received on the rescinded policies and claim payments, which require us to return any premium received on the related policies from the date of default on the insured loans. Cancellations of single premium policies, which are generally non-refundable, result in immediate recognition of any remaining unearned premium.

- Premium rates, which are affected by competitive pressures, the risk characteristics of the insured loans, the percentage of coverage on the insured loans, PMIERs capital requirements, and product type. The substantial majority of our monthly and annual mortgage insurance premiums are under premium plans for which, for the first ten years of the policy, the amount of premium is determined by multiplying the initial premium rate by the original loan balance; thereafter, the premium rate resets to a lower rate used for the remaining life of the policy. However, for loans that have utilized HARP, the initial ten-year period resets as of the date of the HARP transaction. The remainder of our monthly and annual premiums are under premium plans for which premiums are determined by a fixed percentage of the loan's amortizing balance over the life of the policy.

- Premiums ceded, net of a profit commission, under our QSR Transactions and premiums ceded under our Home Re Transactions. The profit commission varies inversely with the level of ceded losses on a "dollar for dollar" basis and can be eliminated at ceded loss levels higher than what we currently are experiencing. Profit commission is higher when there is less benefit from ceded losses incurred and lower when there is more benefit from ceded losses incurred. For certain levels of accident year loss ratios, the profit commission is eliminated). See Note 4 - "Reinsurance" to our consolidated financial statements for a discussion of our reinsurance transactions.

Premiums are generated by the insurance that is in force during all or a portion of the period. A change in the average IIF in the current period compared to an earlier period is a factor that will increase (when the average in force is higher) or reduce (when it is lower) premiums written and earned in the current period, although this effect may be enhanced (or mitigated) by differences in the average premium rate between the two periods as well as by premiums that are returned or expected to be returned in connection with claim payments and rescissions, and premiums ceded under reinsurance agreements. Also, NIW and cancellations during a period will generally have a greater effect on premiums written and earned in subsequent periods than in the period in which these events occur.

Investment income

Our investment portfolio is composed principally of investment grade fixed income securities. The principal factors that influence investment income are the size of the portfolio and its yield. As measured by amortized cost (which excludes changes in fair value, such as from changes in interest rates), the size of the investment portfolio is mainly a function of cash generated from (or used in) operations, such as NPW, investment income, net claim payments and expenses, and cash provided by (or used for) non-operating activities, such as debt, stock issuances or repurchases, and dividends.

Losses incurred

Losses incurred are the current expense that reflects claim payments, costs of settling claims, and estimated payments that will ultimately be made as a result of delinquencies on insured loans. As explained under "Critical Accounting Policies" in our 2020 10-K MD&A, except in the case of a premium deficiency reserve, we recognize an estimate of this expense only for delinquent loans. The level of new delinquencies has historically followed a seasonal pattern, with new delinquencies in the first part of the year lower than new delinquencies in the latter part of the year, though this pattern can be affected by the state of the economy and local housing markets. Pandemics, including COVID-19, and other natural disasters may result in delinquencies not following the typical pattern. Losses incurred are generally affected by:

- The state of the economy, including unemployment and housing values, each of which affects the likelihood that loans will become delinquent and whether loans that are delinquent cure their delinquency.

- The product mix of the in force book, with loans having higher risk characteristics generally resulting in higher delinquencies and claims.

- The size of loans insured, with higher average loan amounts tending to increase losses incurred.

- The percentage of coverage on insured loans, with deeper average coverage tending to increase losses incurred.

- The rate at which we rescind policies or curtail claims. Our estimated loss reserves incorporate our estimates of future rescissions of policies and curtailments of claims, and reversals of rescissions and curtailments. We collectively refer to rescissions and denials as "rescissions" and variations of this term. We call reductions to claims "curtailments."

- The distribution of claims over the life of a book. Historically, the first few years after loans are originated are a period of relatively low claims, with claims increasing substantially for several years subsequent and then declining, although persistency, the condition of the economy, including unemployment and housing prices, and other factors can affect this pattern. For example, a weak economy or housing value declines can lead to claims from older books increasing, continuing at stable levels or experiencing a lower rate of decline. See further information under "Mortgage insurance earnings and cash flow cycle" below.

- Losses ceded under reinsurance transactions. See Note 4 - "Reinsurance" to our consolidated financial statements for a discussion of our reinsurance transactions.

Underwriting and other expenses

Underwriting and other expenses includes items such as employee compensation, fees for professional and consulting services, depreciation and maintenance expense, and premium taxes, and are reported net of ceding commissions associated with our QSR transactions. Employee compensation expenses are variable due to share-based compensation, changes in benefits, and headcount (which can fluctuate due to volume). See Note 4 - "Reinsurance" to our consolidated financial statements for a discussion of the ceding commission on our reinsurance transactions.

Interest expense

Interest expense primarily reflects the interest associated with our outstanding debt obligations discussed in Note 3 - "Debt" to our consolidated financial statements and under "Liquidity and Capital Resources" below.

Other

Certain activities that we do not consider part of our fundamental operating activities may also impact our results of operations and include the following.

Net realized investment gains (losses)

- Fixed income securities. Realized investment gains and losses are a function of the difference between the amount received on the sale of a fixed income security and the fixed income security's cost basis, as well as any credit allowances recognized in earnings. The amount received on the sale of fixed income securities is affected by the coupon rate of the security compared to the yield of comparable securities at the time of sale.

- Equity securities. Realized investment gains and losses are a function of the periodic change in fair value.

Loss on debt extinguishment

Gains and losses on debt extinguishment result from discretionary activities that are undertaken to enhance our capital position, improve our debt profile, and/or reduce potential dilution from our outstanding convertible debt. Extinguishing our outstanding debt obligations early through these discretionary activities may result in losses primarily driven by the payment of consideration in excess of our carrying value or their fair value, and the write off of unamortized debt issuance costs on the extinguished portion of the debt.

Refer to "Explanation and reconciliation of our use of Non-GAAP financial measures" below to understand how these items impact our evaluation of our core financial performance.

Mortgage insurance earnings and cash flow cycle

In general, the majority of any underwriting profit that a book generates occurs in the early years of the book, with the largest portion of any underwriting profit realized in the first year following the year the book was written. Subsequent years of a book may result in either underwriting profit or underwriting losses. This pattern of results typically occurs because relatively few of the incurred losses on delinquencies that a book will ultimately experience typically occur in the first few years of the book, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as the number of insured loans decreases (primarily due to loan prepayments) and increasing losses. The typical pattern is also a function of premium rates generally resetting to lower levels after ten years. Changes in economic conditions, including those related to pandemics, including COVID-19, and other natural disasters may result in delinquencies not following the typical pattern.

Explanation and reconciliation of our use of non-GAAP financial measures

Non-GAAP financial measures

We believe that use of the Non-GAAP measures of adjusted pre-tax operating income (loss), adjusted net operating income (loss) and adjusted net operating income (loss) per diluted share facilitate the evaluation of the company's core financial performance thereby providing relevant information to investors. These measures are not recognized in accordance with GAAP and should not be viewed as alternatives to GAAP measures of performance.

Adjusted pre-tax operating income (loss) is defined as GAAP income (loss) before tax, excluding the effects of net realized investment gains (losses), gain (loss) on debt extinguishment, net impairment losses recognized in income (loss) and infrequent or unusual non-operating items where applicable.

Adjusted net operating income (loss) is defined as GAAP net income (loss) excluding the after-tax effects of net realized investment gains (losses), gain (loss) on debt extinguishment, net impairment losses recognized in income (loss), and infrequent or unusual non-operating items where applicable. The amounts of adjustments to components of pre-tax operating income (loss) are tax effected using a federal statutory tax rate of 21%.

Adjusted net operating income (loss) per diluted share is calculated in a manner consistent with the accounting standard regarding earnings per share by dividing (i) adjusted net operating income (loss) after making adjustments for interest expense on convertible debt, whenever the impact is dilutive by (ii) diluted weighted average common shares outstanding, which reflects share dilution from unvested restricted stock units and from convertible debt when dilutive under the "if-converted" method.

Although adjusted pre-tax operating income (loss) and adjusted net operating income (loss) exclude certain items that have occurred in the past and are expected to occur in the future, the excluded items represent items that are: (1) not viewed as part of the operating performance of our primary activities; or (2) impacted by both discretionary and other economic or regulatory factors and are not necessarily indicative of operating trends, or both. These adjustments, along with the reasons for their treatment, are described below. Trends in the profitability of our fundamental operating activities can be more clearly identified without the fluctuations of these adjustments. Other companies may calculate these measures differently. Therefore, their measures may not be comparable to those used by us.

(1) *Net realized investment gains (losses).* The recognition of net realized investment gains or losses can vary significantly across periods as the timing of individual securities sales is highly discretionary and is influenced by such factors as market opportunities, our tax and capital profile, and overall market cycles.

(2) *Gains and losses on debt extinguishment.* Gains and losses on debt extinguishment result from discretionary activities that are undertaken to enhance our capital position, improve our debt profile, and/or reduce potential dilution from our outstanding convertible debt.

(3) *Net impairment losses recognized in earnings.* The recognition of net impairment losses on investments can vary significantly in both size and timing, depending on market credit cycles, individual issuer performance, and general economic conditions.

(4) *Infrequent or unusual non-operating items*. Items that are non-recurring in nature and are not part of our primary operating activities.

Non-GAAP reconciliations

Reconciliation of Income before tax / Net income to Adjusted pre-tax operating income / Adjusted net operating income

	Three Months Ended March 31,					
	2021			2020		
(In thousands, except per share amounts)	**Pre-tax**	**Tax effect**	**Net (after-tax)**	Pre-tax	Tax effect	Net (after-tax)
Income before tax / Net income	**$ 189,617**	**$ 39,596**	**$ 150,021**	$ 188,239	$ 38,434	$ 149,805
Adjustments:						
Net realized investment (gains) losses	**(2,622)**	**(551)**	**(2,071)**	(2,875)	(604)	(2,271)
Adjusted pre-tax operating income / Adjusted net operating income	**$ 186,995**	**$ 39,045**	**$ 147,950**	$ 185,364	$ 37,830	$ 147,534

Reconciliation of Net income per diluted share to Adjusted net operating income per diluted share

	2021	2020
Weighted average diluted shares outstanding	**356,383**	365,216
Net income per diluted share	**$ 0.43**	$ 0.42
Net realized investment (gains) losses	**(0.01)**	—
Adjusted net operating income per diluted share	**$ 0.42**	$ 0.42

Mortgage Insurance Portfolio

New insurance written

The total amount of mortgage originations is generally influenced by the level of new and existing home sales, the percentage of homes purchased for cash, and the level of refinance activity. PMI market share of total mortgage originations is influenced by the mix of purchase and refinance originations. PMI market share is also impacted by the market share of total originations of the FHA, VA, USDA, and other alternatives to mortgage insurance, including GSE programs that may reduce or eliminate the demand for mortgage insurance.

NIW for the first quarter of 2021 was $30.8 billion (Q1 2020: $17.9 billion) The increase for the three months ended March 31, 2021, compared to the prior periods, was primarily driven by the increase in the mortgage origination market.

The following tables present characteristics of our primary NIW for the three months ended March 31, 2021 and 2020.

Primary NIW by FICO score

	Three Months Ended March 31,	
(% of primary NIW)	**2021**	2020
760 and greater	**46.6 %**	45.8 %
740 - 759	**17.2 %**	19.9 %
720 - 739	**13.5 %**	13.9 %
700 - 719	**11.5 %**	10.4 %
680 - 699	**7.3 %**	7.0 %
660 - 679	**2.1 %**	1.7 %
640 - 659	**1.3 %**	0.9 %
639 and less	**0.5 %**	0.4 %

Primary NIW by loan-to-value

	Three Months Ended March 31,	
(% of primary NIW)	**2021**	2020
95.01% and above	**7.9 %**	8.4 %
90.01% to 95.00%	**35.6 %**	43.0 %
85.01% to 90.00%	**32.8 %**	30.7 %
80.01% to 85%	**23.7 %**	17.9 %

Primary NIW by debt-to-income ratio

	Three Months Ended March 31,	
(% of primary NIW)	**2021**	2020
45.01% and above	**11.9 %**	12.8 %
38.01% to 45.00%	**29.3 %**	32.5 %
38.00% and below	**58.8 %**	54.7 %

Primary NIW by policy payment type

	Three Months Ended March 31,	
(% of primary NIW)	**2021**	2020
Monthly premiums	**90.6 %**	85.1 %
Single premiums	**9.3 %**	14.8 %
Annual premiums	**0.1 %**	0.1 %

Primary NIW by type of mortgage

	Three Months Ended March 31,	
(% of primary NIW)	**2021**	2020
Purchases	**59.7 %**	65.3 %
Refinances	**40.3 %**	34.7 %

Insurance and risk in force

The amount of our IIF and RIF is impacted by the amount of NIW and cancellations of primary IIF during the period. Cancellation activity is primarily due to refinancing activity, but is also impacted by rescissions, cancellations due to claim payment, and policies cancelled when borrowers achieve the required amount of home equity. Refinancing activity has historically been affected by the level of mortgage interest rates and the level of home price appreciation. Cancellations generally move inversely to the change in the direction of interest rates, although they generally lag a change in direction.

Persistency. Our persistency was 56.2% at March 31, 2021 compared to 60.5% at December 31, 2020 and 73.0% at March 31, 2020. Since 2000, our year-end persistency ranged from a high of 84.7% at December 31, 2009 to a low of 47.1% at December 31, 2003.

IIF and RIF

	Three Months Ended March 31,			
(In billions)	**2021**		2020	
NIW	**$**	**30.8**	$	17.9
Cancellations		**(25.7)**		(14.7)
Increase in primary IIF	**$**	**5.1**	$	3.2
Direct primary IIF as of March 31,	**$**	**251.7**	$	225.5
Direct primary RIF as of March 31,	**$**	**62.6**	$	57.9

Credit profile of our primary RIF

The proportion of our total primary RIF written after 2008 has been steadily increasing in proportion to our total primary RIF. Our 2009 and later books possess significantly improved risk characteristics when compared to our 2005-2008 books. The credit profile of our pre-2009 RIF has benefited from modification and refinance programs making outstanding loans more affordable to borrowers with the goal of reducing the number of foreclosures. These programs included HAMP and HARP, which expired at the end of 2016 and 2018, respectively, but have been replaced by other GSE modification programs. HARP allowed borrowers who were not delinquent, but who may not otherwise have been able to refinance their loans under the current GSE underwriting standards due to, for example, the current LTV exceeding 100%, to refinance and lower their note rate. As of March 31, 2021, our modifications accounted for 7.3% of our total RIF, compared to 7.8% at December 31, 2020. Loans associated with 85.2% of all our modifications were current as of March 31, 2021.

The following table sets forth certain statistics associated with our primary IIF and RIF as of March 31, 2021, by year(s) of policy origination since 1985.

Primary insurance in force and risk in force by policy year

(in millions)	Insurance in Force		Risk In Force		Weighted Avg. Interest Rate	Delinquency Rate	Cede Rate %	% of Original Remaining
Policy Year	Total	% of Total	Total	% of Total				
2004 and prior	$ 2,162	0.9 %	$ 602	1.0 %	7.2 %	13.9 %	0.6 %	N.M.
2005-2008	17,848	7.1 %	4,735	7.5 %	6.9 %	13.3 %	4.1 %	7.3 %
2009-2015	17,525	7.0 %	4,781	7.6 %	4.2 %	5.8 %	14.3 %	9.9 %
2016	14,735	5.8 %	3,918	6.3 %	3.9 %	5.2 %	14.1 %	30.7 %
2017	17,142	6.8 %	4,391	7.0 %	4.2 %	6.5 %	26.1 %	34.8 %
2018	17,727	7.0 %	4,491	7.2 %	4.7 %	7.3 %	24.8 %	35.4 %
2019	36,131	14.4 %	9,112	14.5 %	4.1 %	4.5 %	27.0 %	55.5 %
2020	103,014	40.9 %	24,664	39.4 %	3.2 %	1.0 %	27.6 %	90.3 %
2021	25,434	10.1 %	5,949	9.5 %	2.8 %	— %	27.3 %	99.7 %
Total	**$ 251,719**	**100.0 %**	**$ 62,642**	**100.0 %**				

Pool and other insurance

MGIC has written no new pool insurance since 2008; however, for a variety of reasons, including responding to capital market alternatives to PMI and customer demands, MGIC may write pool risk in the future. Our direct pool risk in force was $331 million ($209 million on pool policies with aggregate loss limits and $122 million on pool policies without aggregate loss limits) at March 31, 2021 compared to $340 million ($210 million on pool policies with aggregate loss limits and $130 million on pool policies without aggregate loss limits) at December 31, 2020. If claim payments associated with a specific pool reach the aggregate loss limit, the remaining IIF within the pool would be cancelled and any remaining delinquencies under the pool would be removed from our delinquent inventory.

In connection with the GSEs' CRT programs, an insurance subsidiary of MGIC provides insurance and reinsurance covering portions of the credit risk related to certain reference pools of mortgages acquired by the GSEs. Our RIF, as reported to us, related to these programs was approximately $321 million and $287 million as of March 31, 2021 and December 31, 2020, respectively.

Consolidated Results of Operations

The following section of the MD&A provides a comparative discussion of MGIC Investment Corporation's Consolidated Results of Operations for the three months ended March 31, 2021 and 2020.

Revenues

Revenues

	Three Months Ended March 31,		
(in millions)	**2021**	2020	% Change
Net premiums written	**$ 241.5**	$ 246.0	(2)
Net premiums earned	**$ 255.0**	$ 260.9	(2)
Investment income, net of expenses	**37.9**	41.3	(8)
Net realized investment gains	**2.2**	1.9	N/M
Other revenue	**2.8**	2.8	—
Total revenues	**$ 298.0**	$ 306.9	(3)

Net premiums written and earned

Comparative quarterly results

NPW and NPE decreased for the three months ended March 31, 2021 compared with the prior year. The decrease in net premium written was due to an increase in ceded premiums written and lower average premium rates on our insurance in force. This was partially offset by higher average insurance in force. Net premiums earned was also impacted by an increase in accelerated premiums earned from single premium policy cancellations

See "Overview - Factors Affecting Our Results" above for additional factors that influenced the amount of net premiums written and earned during the periods.

Premium yields

Net premium yield is NPE divided by average IIF during the period and is influenced by a number of key drivers. The following table presents the key drivers of our net premium yield for the three months ended March 31, 2021 and from the respective prior year period.

Premium Yield

		Three Months Ended March 31,	
(in basis points)		**2021**	2020
In force portfolio yield	(1)	43.9	49.2
Premium refunds		**(0.8)**	(0.7)
Accelerated earnings on single premium policies		**4.4**	3.3
Total direct premium yield		**47.5**	51.8
Ceded premiums earned, net of profit commission and assumed premiums	(2)	**(6.6)**	(5.2)
Net premium yield		**40.9**	46.6

(1) Total direct premiums earned, excluding premium refunds and accelerated premiums from single premium policy cancellations divided by average primary insurance in force.
(2) Assumed premiums include those from our participation in GSE CRT programs, of which the impact on the net premium yield was 0.4 bps in the first quarter of 2021 compared to 0.5 bps in the first quarter of 2020.

Changes in our premium yields when compared to the respective prior year periods reflect the following:

In force Portfolio Yield
è A larger percentage of our IIF from book years with lower premium rates due to a decline in premium rates in recent years resulting from pricing competition, insuring mortgages with lower risk characteristics, lower required capital, certain policies undergoing premium rate resets on their ten-year anniversaries, and the availability of reinsurance.
Premium Refunds
è Premium refunds adversely impact our premium yield and are primarily driven by claim activity and our estimate of refundable premiums on our delinquency inventory.
Accelerated earnings on single premium policies
è Greater amounts of accelerated earned premium from cancellation of single premium policies prior to their estimated policy life, primarily due to increased refinancing activity.
Ceded premiums earned, net of profit commission and assumed premiums
è Ceded premiums earned, net of profit commission adversely impact our premium yield. Ceded premiums earned, net of profit commission, were primarily associated with the QSR Transactions and the Home Re Transactions. Assumed premiums consists primarily of premiums from GSE CRT programs. See "Reinsurance agreements " below for further discussion on our reinsurance transactions and the increase in our ceded premium earned.

As discussed in our Risk Factor titled “Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses,” the private mortgage insurance industry is highly competitive and premium rates have declined over the past several years. We expect our net premium yield to continue to decline as older insurance policies with higher premium rates run off and are replaced with new insurance policies which generally have lower premium rates.

Reinsurance agreements

Quota share reinsurance

Our quota share reinsurance affects various lines of our statements of operations and therefore we believe it should be analyzed by reviewing its total effect on our pre-tax income, described as follows.

- è We cede a fixed percentage of premiums on insurance covered by the agreements.
- è We receive the benefit of a profit commission through a reduction in the premiums we cede. The profit commission varies inversely with the level of losses on a “dollar for dollar” basis and can be eliminated at loss levels higher than what we are currently experiencing. As a result, lower levels of ceded losses result in a higher profit commission and less benefit from ceded losses; higher levels of ceded losses result in more benefit from ceded losses and a lower profit commission (or for certain levels of accident year loss ratios, its elimination).
- è We receive the benefit of a ceding commission through a reduction in underwriting expenses equal to 20% of premiums ceded (before the effect of the profit commission).
- è We cede a fixed percentage of losses incurred on insurance covered by the agreements.

The following table provides information related to our quota share reinsurance agreements for 2021 and 2020.

Quota Share Reinsurance

	Three Months Ended March 31,			
(Dollars in thousands)		**2021**		2020
Ceded premiums written and earned, net of profit commission	**$**	**33,390**	$	26,846
% of direct premiums written		**12 %**		10 %
% of direct premiums earned		**11 %**		9 %
Profit commission	**$**	**31,944**	$	29,979
Ceding commissions	**$**	**13,067**	$	11,365
Ceded losses incurred	**$**	**8,405**	$	5,804
Mortgage insurance portfolio:				
Ceded RIF (in millions)	**$**	**14,592**	$	11,713
2015 QSR	**$**	**1,393**	$	2,460
2017 QSR	**$**	**1,131**	$	2,137
2018 QSR	**$**	**1,133**	$	2,194
2019 QSR	**$**	**2,368**	$	3,859
2020 QSR	**$**	**5,831**	$	1,063
2021 QSR	**$**	**1,738**	$	—
Credit Union QSR	**$**	**998**	$	—

Covered risk

The amount of our NIW, new risk written, IIF, and RIF subject to our QSR Transactions as shown in the following table will vary from period to period in part due to the mix of our risk written during the period.

Quota Share Reinsurance

	Three Months Ended March 31,	
	2021	2020
NIW subject to QSR Transactions	**73.7 %**	71.9 %
New Risk Written subject to QSR Transactions	**85.9 %**	81.6 %
IIF subject to QSR Transactions	**74.7 %**	78.0 %
RIF subject to QSR Transactions	**81.6 %**	81.6 %

The NIW and new risk written subject to quota share reinsurance increased in the first three months of 2021 when compared to the same period of the prior year primarily due to the Credit Union QSR transaction not being effective until April 1, 2020, offset by an increase in NIW with LTVs less than or equal to 85% which are excluded from the QSR Transactions

As of March 31, 2021, the weighted average coverage percentage of our QSR transactions was 23% based on RIF.

Excess of loss reinsurance

As of March 31, 2021 our excess of loss reinsurance provided $1.2 billion of loss coverage on a portfolio of policies having an in force date from July 1, 2016 through March 31, 2019, and from January 1, 2020 through December 31, 2020; all dates inclusive. As of March 31, 2021, the aggregate exposed principal balances under the Home Re 2018-01, 2019-01, 2020-01 and 2021-01 transactions were approximately $3.0 billion. $2.8 billion, $7.9 billion and $9.2 billion, respectively, which take into account the mortgage insurance coverage percentage, net retained risk after quota share reinsurance, and the reinsurance inclusion percentage of the unpaid principal balance. We ceded premiums of $10.3 million for the three months ended March 31, 2021, and $4.7 million for the three months ended March 31, 2020 .

In February 2021, MGIC entered into $398.8 excess of loss agreement (executed through an insurance linked notes transaction) on a portfolio of policies having in force dates from August 1, 2020 through December 31, 2020.

When a “Trigger Event” is in effect, payment of principal on the related notes will be suspended and the reinsurance coverage available to MGIC under the transactions will not be reduced by such principal payments. As of March 31, 2020 a "Trigger Event" has occurred for each our outstanding ILN transactions. On the 2018 and 2019 ILN transactions a “Trigger Event” has occurred because the reinsured principal balance of loans that were reported 60 or more days delinquent exceeded 4% of the total reinsured principal balance of loans under each transaction. A “Trigger Event” has occurred on our 2020 and 2021 ILN transaction because the credit enhancement of the most senior tranche is less than the target credit enhancement.

Investment income

Comparative quarterly results

Net investment income in the three months ended March 31, 2021 was $37.9 million while net investment income in the three months ended March 31, 2020 was $41.3 million. The decrease in net investment income was due to lower investment yields, partially offset by an increase in the investment portfolio.

Losses and expenses

Losses and expenses

	Three Months Ended March 31,			
(In millions)	**2021**		2020	
Losses incurred, net	**$**	**39.6**	$	61.0
Amortization of deferred policy acquisition costs		**2.7**		2.5
Other underwriting and operating expenses, net		**48.0**		42.3
Interest expense		**18.0**		12.9
Total losses and expenses	**$**	**108.3**	$	118.7

Losses incurred, net

As discussed in "Critical Accounting Policies" in our 2020 10-K MD&A, we establish case loss reserves for future claims on delinquent loans that were reported to us as two payments past due and have not become current or resulted in a claim payment. Such loans are referred to as being in our delinquency inventory. Case loss reserves are established based on estimating the number of loans in our delinquency inventory that will result in a claim payment, which is referred to as the claim rate, and further estimating the amount of the claim payment, which is referred to as claim severity.

IBNR reserves are established for delinquencies estimated to have occurred prior to the close of an accounting period, but not yet reported to us. IBNR reserves are established using estimated claim rates and claim severities.

Estimation of losses is inherently judgmental. The conditions that affect the claim rate and claim severity include the current and future state of the domestic economy, including unemployment, and the current and future strength of local housing markets. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be adversely affected by several factors, including a deterioration of regional or national economic conditions, including unemployment, leading to a reduction in borrower income and thus their ability to make mortgage payments, and a drop in housing values that could result in, among other things, greater losses on loans, and may affect borrower willingness to continue to make mortgage payments when the value of the home is below the mortgage balance. Historically, losses incurred have followed a seasonal trend in which the second half of the year has weaker credit performance than the first half, with higher new notice activity and a lower cure rate. Changes in economic circumstances, including those associated with COVID-19 pandemic affected this pattern starting in the second quarter of 2020.

As discussed in our Risk Factor titled "The Covid-19 pandemic may continue to materially impact our financial results and may also materially impact our business, liquidity and financial condition" the impact of the COVID-19 pandemic on our future incurred losses is uncertain and may be material. As discussed in our risk factor titled "Because we establish loss reserves only upon a loan delinquency rather than based on estimates of our ultimate losses on risk in force, losses may have a disproportionate adverse effect on our earnings in certain periods" if we have not received a notice of delinquency with respect to a loan and if we have not estimated the loan to be delinquent as of March 31, 2021 through our IBNR reserve, then we have not yet recorded an incurred loss with respect to that loan.

Our estimates are also affected by any agreements we enter into regarding our claims paying practices. Changes to our estimates could result in a material impact to our consolidated results of operations and financial position, even in a stable economic environment.

Comparative quarterly results

Losses incurred, net in the first quarter of 2021 were $39.6 million compared to $61.0 million in the prior year. In the first quarter of 2021 we reduced our claim rate on new delinquency notices compared to the same period last year when we had increased out claim rate on new notices due to the COVID-19 pandemic and the macroeconomic environment. We also decreased our IBNR reserve $4 million in the first quarter of 2021. The first quarter of 2020 reflected an increase in IBNR estimates of $8 million.

Composition of losses incurred

	Three Months Ended March 31,				
(in millions)	**2021**		2020		% Change
Current year / New notices	**$**	**43.4**	$	59.8	(27)
Prior year reserve development		**(3.8)**		1.2	N.M.
Losses incurred, net	**$**	**39.6**	$	61.0	(35)

Loss ratio

The loss ratio is the ratio, expressed as a percentage, of the sum of incurred losses and loss adjustment expenses to net premiums earned. The decrease in the loss ratio for the three months ended March 31, 2021 compared to the respective prior year periods was primarily due to a decrease in losses incurred discussed above.

	Three Months Ended March 31,	
	2021	2020
Loss ratio	**15.5 %**	23.4 %

New notice claim rate

New delinquency notices increased 5% from the same period last year, but decreased 14% from the fourth quarter of 2020 as new notice activity returned to pre-COVID-19 pandemic levels.

The new notice claim rate decreased for the three months ended March 31, 2021, compared to three months ended March 31, 2020. The elevated new notice claim rate at March 31, 2020 was primarily due to the uncertainty of the COVID-19 pandemic and the macroeconomic environment.

Many of the loans in our delinquency inventory have entered forbearance plans. Historically, forbearance plans have reduced the incidence of our losses on affected loans. However, given the uncertainty surrounding the long-term economic impact of COVID-19, it is difficult to predict the ultimate effect of COVID-19 related forbearances on our loss incidence. Whether a loan's delinquency will cure, including through modification, when its forbearance plan ends will depend on the economic circumstances of the borrower at that time. The severity of losses associated with loans whose delinquencies do not cure will depend on economic conditions at that time, including home prices compared to home prices at the time of placement of coverage. Forbearance information is based on the most recent information provided by the GSEs, as well as loan servicers, and we believe substantially all represent forbearances related to COVID-19. While the forbearance information provided by the GSEs refers to delinquent loans in forbearance as of the prior month-end, the information provided by loan servicers may be more current. As of March 31, 2021 61% of our delinquency inventory were in such plans.

New notices and delinquency inventory during the period

		March 31, 2021		
Policy Year	New Notices in 2021	Delinquency Inventory as of 3/31/21	% of Delinquency Inventory in Forbearance	Avg. Number of Missed Payments of Delinquency Inventory
2004 and prior	1,133	3,617	25.4 %	17
2005-2008	3,929	15,892	37.2 %	16
2009-2015	1,342	6,142	65.3 %	10
2016	800	4,026	74.9 %	9
2017	1,154	5,806	75.4 %	9
2018	1,341	6,626	77.9 %	9
2019	1,505	6,954	82.1 %	8
2020	1,793	3,698	79.2 %	6
2021	14	14	— %	1
Total	**13,011**	**52,775**	**60.7 %**	**11**
Claim rate on new notices (1)	**7 %**			

		March 31, 2020	
Policy Year	New Notices in 2020	Inventory as of 3/31/20	Avg. Number of Missed Payments of Delinquency Inventory
2004 and prior	1,487	4,121	15
2005-2008	5,630	14,646	14
2009-2015	1,752	3,285	7
2016	834	1,423	6
2017	1,106	1,824	5
2018	1,079	1,602	5
2019	509	482	3
2020	1	1	1
Total	12,398	27,384	12
Claim rate on new notices (1)	9 %		

(1) - Claim rate is the respective full year weighted average rate and is rounded to the nearest whole percent.

Claims severity

Factors that impact claim severity include:

è	economic conditions at time of claim filing, including home prices compared to home prices at the time of placement of coverage,
è	exposure of the loan, which is the unpaid principal balance of the loan times our insurance coverage percentage,
è	length of time between delinquency and claim filing (which impacts the amount of interest and expenses, with a longer time between default and claim filing generally increasing severity), and
è	curtailments.

As discussed in Note 11 - "Loss Reserves," the average time for servicers to process foreclosures prior to 2020 has been decreasing. In light of the uncertainty caused by the COVID-19 pandemic, the average number of missed payments at the time a claim is received and expected to be received will increase in 2021. Our loss reserves estimates take into consideration trends over time, because the development of the delinquencies may vary from period to period without establishing a meaningful trend.

The majority of loans from 2005 through 2008 (which represent 30% of the loans in the delinquent inventory) are covered by master policy terms that, except under certain circumstances, do not limit the number of years that an insured can include interest when filing a claim. Under our current master policy terms, an insured can include accumulated interest when filing a claim only for the first three years the loan is delinquent. In each case, the insured must comply with its obligations under the terms of the applicable master policy.

Claims severity trend for claims paid during the period

Period	Average exposure on claim paid	Average claim paid	% Paid to exposure	Average number of missed payments at claim received date
Q1 2021	**$ 46,807**	**$ 36,725**	**78.5 %**	**$ 34**
Q4 2020	48,321	40,412	83.6 %	32
Q3 2020	47,780	40,600	85.0 %	27
Q2 2020	44,905	42,915	95.6 %	32
Q1 2020	46,247	47,222	102.1 %	33
Q4 2019	46,076	46,302	100.5 %	34
Q3 2019	42,821	44,388	103.7 %	35
Q2 2019	46,950	46,883	99.9 %	34
Q1 2019	42,277	43,930	103.9 %	35

Note: Table excludes material settlements. Settlements include amounts paid in settlement disputes for claims paying practices and/or commutations of policies.

The foreclosure moratoriums and forbearance plans in place under GSE initiatives have delayed and may continue to delay the receipt of claims. Claims that were resolved after the first quarter of 2020 experienced an increase in loss mitigation activities, primarily third party acquisitions (sometimes referred to as "short sales"), resulting in a decrease in the average claim paid and the average claim paid as a percentage of exposure. As foreclosure moratoriums and forbearance plans end, we expect to see an increase in claims received and claims paid at exposure levels above those experienced subsequent to the second quarter of 2020. The magnitude and timing of the increases are uncertain.

In considering the potential sensitivity of the factors underlying our estimate of loss reserves, it is possible that even a relatively small change in our estimated claim rate or severity could have a material impact on reserves and, correspondingly, on our consolidated results of operations even in a stable economic environment. For example, as of March 31, 2021, assuming all other factors remain constant, a $1,000 increase/decrease in the average severity reserve factor would change the reserve amount by approximately +/- $16 million. A 1 percentage point increase/decrease in the average claim rate reserve factor would change the reserve amount by approximately +/- $31 million.

See Note 11 – "Loss Reserves" to our consolidated financial statements for a discussion of our losses incurred and claims paying practices (including curtailments).

The length of time a loan is in the delinquency inventory (see Note 11- "Loss Reserves," table 11.4) can differ from the number of payments that the borrower has not made or is considered delinquent. These differences typically result from a borrower making monthly payments that do not result in the loan becoming fully current. The number of payments that a borrower is delinquent is shown in the following table.

Delinquency inventory - number of payments delinquent

	March 31, 2021	December 31, 2020	March 31, 2020
3 payments or less	**11,440**	14,183	12,961
4-11 payments	**25,016**	35,977	8,178
12 payments or more [1]	**16,319**	7,550	6,245
Total	**52,775**	57,710	27,384
3 payments or less	**22 %**	25 %	47 %
4-11 payments	**47 %**	62 %	30 %
12 payments or more	**31 %**	13 %	23 %
Total	**100 %**	100 %	100 %

(1) Approximately 26%, 31%, and 34% of the primary delinquent inventory with 12 payments or more delinquent has at least 36 payments delinquent as of March 31, 2021, December 31, 2020, and March 31, 2020, respectively.

Net losses and LAE paid

Net losses and LAE paid in the three months ended March 31, 2021 declined by $31 million, or 67% compared to the same period in the prior year due to lower claim activity on our primary business due to foreclosure moratoriums and payment forbearance plans in place.

While foreclosure moratoriums and payment forbearance plans remain in place, net losses and LAE paid are expected to continue to be lower. As the various moratorium and forbearance plans end, we expect net losses and LAE paid to increase, however, the magnitude and timing of the increases are uncertain.

The following table presents our net losses and LAE paid for the three months ended March 31, 2021 and 2020.

Net losses and LAE paid

	Three Months Ended March 31,	
(In millions)	**2021**	2020
Total primary (excluding settlements)	**$ 12**	$ 42
Pool	**—**	1
Direct losses paid	**12**	43
Reinsurance	**(1)**	(1)
Net losses paid	**11**	42
LAE	**4**	4
Net losses and LAE paid	**$ 15**	$ 46

Primary claims paid for the top 15 jurisdictions (based on 2021 losses paid) and all other jurisdictions for the three months ended March 31, 2021 and 2020 appears in the following table.

Paid losses by jurisdiction

	Three Months Ended March 31,	
(In millions)	**2021**	2020
Florida *	**$ 2**	$ 7
New York *	**2**	5
Illinois *	**1**	3
New Jersey *	**1**	4
Maryland	**1**	3
Pennsylvania *	**1**	2
Ohio *	**1**	1
Puerto Rico *	**1**	3
Virginia	**—**	1
Louisiana *	**—**	1
New Mexico *	**—**	—
Indiana *	**—**	1
Connecticut *	**—**	1
Wisconsin	**—**	—
Rhode Island	**—**	—
All other jurisdictions	**2**	10
Total primary (excluding settlements)	**$ 12**	$ 42

Note: Asterisk denotes jurisdictions in the table above that predominately use a judicial foreclosure process, which generally increases the amount of time it takes for a foreclosure to be completed

The primary average claim paid for the top 5 states (based on 2021 losses paid) for the three months ended March 31, 2021 and 2020 appears in the following table.

Primary average claim paid

	Three Months Ended March 31,	
	2021	2020
Florida *	**$ 47,451**	$ 67,372
New York *	**114,177**	115,387
Illinois *	**33,281**	44,121
New Jersey *	**89,040**	104,728
Maryland	**55,869**	70,655
All other jurisdictions	**26,625**	34,541
All jurisdictions	**36,725**	47,222

Note: Asterisk denotes jurisdictions in the table above that predominately use a judicial foreclosure process, which generally increases the amount of time it takes for a foreclosure to be completed.

The primary average claim paid can vary materially from period to period based upon a variety of factors, including the local market conditions, average loan amount, average coverage percentage, the amount of time between delinquency and claim filing, and our loss mitigation efforts on loans for which claims are paid.

The primary average RIF on delinquent loans at March 31, 2021, December 31, 2020 and March 31, 2020 and for the top 5 jurisdictions (based on 2021 losses paid) appears in the following table.

Primary average RIF - delinquent loans

	March 31, 2021	December 31, 2020	March 31, 2020
Florida	**$ 56,930**	$ 56,956	$ 54,036
New York	**73,708**	73,509	72,800
Illinois	**41,234**	41,451	38,874
New Jersey	**67,371**	67,709	63,743
Maryland	**67,873**	68,347	65,595
All other jurisdictions	**51,750**	52,071	41,732
All jurisdictions	**53,497**	53,804	45,698

The primary average RIF on all loans was $55,418, $54,891, and $53,433 at March 31, 2021, December 31, 2020, and March 31, 2020, respectively.

Loss reserves

Our primary delinquency rate at March 31, 2021 was 4.65% (YE 2020: 5.11%, March 31, 2020: 2.53%). Our primary delinquency inventory was 52,775 loans at March 31, 2021, representing a decrease of 9% from December 31, 2020 and an increase of 93% from March 31, 2020. The increase in our primary delinquency inventory from the prior year is primarily due to the adverse economic impact of the COVID-19 pandemic. As of March 31,2021, 61% of our delinquency inventory were reported to us as subject to forbearance plans. We believe substantially all represent forbearance plans related to COVID-19. Prior to 2020, we experienced a decline in the number of delinquencies in inventory with twelve or more missed payments. Generally, a defaulted loan with fewer missed payments is less likely to result in a claim. However, given the uncertainty surrounding the long-term economic impact of COVID-19, it is difficult to predict the ultimate effect of COVID-19 related forbearances on our loss incidence. Whether a loan's delinquency will cure when its forbearance plan ends will depend on the economic circumstances of the borrower at that time.

The gross reserves at March 31, 2021, December 31, 2020, and March 31, 2020 appear in the table below.

Gross reserves

	March 31, 2021		December 31, 2020		March 31, 2020	
Primary:						
Direct case loss reserves (in millions)	**$ 825**		$ 789		$ 501	
Direct IBNR and LAE reserves	**80**		82		65	
Total primary direct loss reserves	**$ 905**		$ 871		$ 566	
Ending delinquent inventory		**52,775**		57,710		27,384
Percentage of loans delinquent (delinquency rate)		**4.65 %**		5.11 %		2.53 %
Average total primary loss reserves per delinquency		**$ 17,147**		$ 15,100		$ 20,658
Primary claims received inventory included in ending delinquent inventory		**151**		159		472
Pool [(1)]:						
Direct loss reserves (in millions):						
With aggregate loss limits	**$ 5**		$ 6		$ 6	
Without aggregate loss limits	**2**		2		2	
Total pool direct loss reserves	**$ 7**		$ 8		$ 8	
Ending default inventory:						
With aggregate loss limits		**395**		442		373
Without aggregate loss limits		**210**		238		203
Total pool ending delinquent inventory		**605**		680		576
Pool claims received inventory included in ending delinquent inventory		**6**		10		13
Other gross reserves [(2)] (in millions)	**$ 1**		$ 2		$ 1	

(1) Since a number of our pool policies include aggregate loss limits and/or deductibles, we do not disclose an average direct reserve per delinquency for our pool business.

(2) Other Gross Reserves includes direct and assumed reserves that are not included within our primary or pool loss reserves.

The primary delinquency inventory for the top 15 jurisdictions (based on 2021 losses paid) at March 31, 2021, December 31, 2020 and March 31, 2020 appears in the following table.

Primary delinquency inventory by jurisdiction

	March 31, 2021	December 31, 2020	March 31, 2020
Florida *	**5,198**	5,936	2,250
New York *	**2,253**	2,416	1,551
Illinois *	**3,345**	3,460	1,657
New Jersey *	**1,749**	1,960	897
Maryland	**1,469**	1,556	743
Pennsylvania *	**2,375**	2,593	1,598
Ohio *	**2,260**	2,541	1,326
Puerto Rico *	**1,265**	1,458	1,089
Virginia	**1,289**	1,377	504
Louisiana *	**910**	979	580
New Mexico *	**326**	323	170
Indiana *	**1,065**	1,163	779
Connecticut *	**804**	909	473
Wisconsin	**931**	1,056	604
Rhode Island	**194**	201	125
All other jurisdictions	**27,342**	29,782	13,038
Total	**52,775**	57,710	27,384

Note: Asterisk denotes jurisdictions in the table above that predominately use a judicial foreclosure process, which generally increases the amount of time it takes for a foreclosure to be completed.

The primary delinquency inventory by policy year at March 31, 2021, December 31, 2020 and March 31, 2020 appears in the following table.

Primary delinquency inventory by policy year

	March 31, 2021	December 31, 2020	March 31, 2020
Policy year:			
2004 and prior	**3,617**	3,885	4,121
2004 and prior %	***7 %***	*7 %*	*15 %*
2005	**2,265**	2,462	2,526
2006	**4,013**	4,265	4,166
2007	**7,469**	8,011	6,316
2008	**2,145**	2,346	1,638
2005 - 2008 %	***30 %***	*30 %*	*53 %*
2009	**149**	159	118
2010	**95**	99	87
2011	**137**	151	125
2012	**314**	357	202
2013	**816**	929	498
2014	**1,849**	2,089	956
2015	**2,782**	3,133	1,299
2009 - 2015 %	***12 %***	*12 %*	*12 %*
2016	**4,026**	4,599	1,423
2017	**5,806**	6,746	1,824
2018	**6,626**	7,468	1,602
2019	**6,954**	7,929	482
2020	**3,698**	3,082	1
2021	**14**		
2016 and later %	***51 %***	*52 %*	*20 %*
Total	**52,775**	57,710	27,384

We expect that delinquencies will remain at elevated levels in 2021 as a result of the COVID-19 pandemic, including as a result of the increase in unemployment associated with initiatives intended to reduce the transmission of COVID-19.

On our primary business, the highest claim frequency years have typically been the third and fourth year after loan origination. However, the pattern of claim frequency can be affected by many factors, including persistency and deteriorating economic conditions. Deteriorating economic conditions, including the impacts of the COVID-19 pandemic, can result in increasing claims following a period of declining claims. As of March 31, 2021, 63% of our primary RIF was written subsequent to December 31, 2018, 71% of our primary RIF was written subsequent to December 31, 2017, and 78% of our primary RIF was written subsequent to December 31, 2016.

COVID-19 Delinquency Activity

The delinquency inventory increased after the first quarter of 2020 because of the impacts of the COVID-19 pandemic, including the high level of unemployment and economic uncertainty resulting from measures to reduce the transmission of the COVID-19.

Forbearance programs enacted by the GSEs provide for payment forbearance on mortgages to borrowers experiencing a hardship during the COVID-19 pandemic. As of March 31, 2021 and December 31, 2020, 61% and 62%, respectively, of our delinquency inventory was reported as subject to a forbearance plan. We believe substantially all represent forbearances related to COVID-19. The following tables present characteristics of our primary delinquency inventory in forbearance plans.

The number of payments that a borrower in forbearance is delinquent as of March 31, 2021 and December 31, 2020 is shown in the following table.

Forbearance Delinquency inventory - number of payments delinquent

	March 31, 2021	December 31, 2020
3 payments or less	**5,011**	6,580
4-11 payments	**18,095**	28,153
12 payments or more [(1)]	**8,928**	1,145
Total	**32,034**	35,878
3 payments or less	**16 %**	18 %
4-11 payments	**56 %**	79 %
12 payments or more	**28 %**	3 %
Total	**100 %**	100 %

The primary delinquency inventory in forbearance for the top 15 jurisdictions (based on 2021 losses paid) at March 31, 2021 and December 31, 2020 appears in the following table.

Primary delinquency inventory in forbearance by jurisdiction

	March 31, 2021	December 31, 2020
Florida *	**3,501**	4,150
New York *	**1,008**	1,088
Illinois *	**2,025**	2,162
New Jersey *	**1,016**	1,174
Maryland	**934**	994
Pennsylvania *	**1,170**	1,294
Ohio *	**1,078**	1,228
Puerto Rico *	**537**	630
Virginia	**837**	935
Louisiana *	**525**	562
New Mexico *	**209**	213
Indiana *	**472**	538
Connecticut *	**483**	565
Wisconsin	**473**	536
Rhode Island	**85**	91
All other jurisdictions	**17,681**	19,718
Total	**32,034**	35,878

The primary delinquency inventory in forbearance by policy year at March 31, 2021 and December 31, 2020 appears in the following table.

Primary delinquency inventory in forbearance by policy year

	March 31, 2021	December 31, 2020
Policy year:		
2004 and prior	**917**	937
2004 and prior %	***3 %***	*3 %*
2005	**611**	671
2006	**1,255**	1,293
2007	**2,984**	3,330
2008	**1,061**	1,197
2005 - 2008 %	***18 %***	*18 %*
2009	**72**	84
2010	**42**	38
2011	**63**	66
2012	**186**	229
2013	**507**	583
2014	**1,227**	1,389
2015	**1,916**	2,180
2009 - 2015 %	***13 %***	*13 %*
2016	**3,014**	3,490
2017	**4,376**	5,180
2018	**5,163**	5,927
2019	**5,711**	6,670
2020	**2,929**	2,614
2021	**—**	—
2016 and later %	***66 %***	*67 %*
Total	**32,034**	35,878

Underwriting and other expenses, net

Underwriting and other expenses includes items such as employee compensation costs, fees for professional and consulting services, depreciation and maintenance expense, and premium taxes, and are reported net of ceding commissions.

Underwriting and other expenses, net for the three months ended March 31, 2021 were $48.0 million, an increase from $42.3 million in the prior year period primarily due to increases in professional and consulting services related to our investments in technology and business processes, as well as an increase in share-based compensation benefits. This was partially offset by decreases in employee compensation costs.

	Three Months Ended March 31,	
	2021	2020
Underwriting expense ratio	**19.8 %**	17.3 %

The underwriting expense ratio is the ratio, expressed as a percentage, of the underwriting and operating expenses, net and amortization of DAC of our combined insurance operations (which excludes underwriting and operating expenses of our non-insurance subsidiaries) to NPW. The underwriting expense ratio in the three months ended March 31, 2021 increased due to a decrease in NPW and an increase in underwriting expenses compared with the same period the prior year.

Provision for income taxes and effective tax rate

Income tax provision and effective tax rate

	Three Months Ended March 31,	
(In millions, except rate)	**2021**	2020
Income before tax	**$ 189.6**	$ 188.2
Provision for income taxes	**$ 39.6**	$ 38.4
Effective tax rate	**20.9 %**	20.4 %

The difference between our statutory tax rate of 21% and our effective tax rate of 20.9% and 20.4% for the three months ended March 31, 2021 and 2020, respectively, was primarily due to the benefits of tax preferenced securities.

Balance Sheet Review

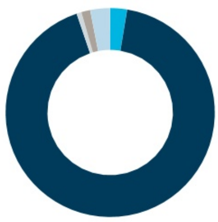
Total assets, liabilities, and shareholders' equity

As of March 31, 2021 and December 31, 2020, total assets were $7.4 billion and total liabilities were $2.7 billion. Shareholders' equity was $4.7 billion as of March 31, 2021 and December 31, 2020. Net income in the first three months of 2021 was offset by a decrease in unrealized gains, dividends paid, and reissuance of treasury stock, net under share-based compensation plans.

The following sections mainly focus on our cash and cash equivalents, investments and loss reserves as these reflect the major developments in our assets and liabilities since December 31, 2020.

Consolidated balance sheets - Assets

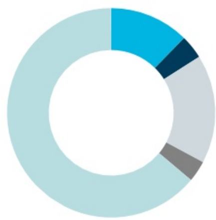
as of March 31, 2021 *(In thousands)*



Cash and cash equivalents	$	**192,766**
Investments		**6,829,737**
Premiums receivable		**55,107**
Reinsurance Recoverable		**102,901**
Other assets		**226,505**

Consolidated balance sheets - Liabilities and equity

as of March 31, 2021 *(In thousands)*



Loss reserves	$	**913,110**
Unearned premiums		**273,553**
Long-term debt		**1,243,725**
Other liabilities		**244,335**
Shareholders' equity		**4,732,293**

Cash and cash equivalents (including restricted) - Our cash and cash equivalents balance decreased to $193 million as of March 31, 2021, from $297 million as of December 31, 2020, as net cash generated from operating activities was used in investing and financing activities.

Loss reserves - Our loss reserves include estimates of losses and settlement expenses on (1) loans in our delinquency inventory (known as case reserves), (2) IBNR delinquencies, and (3) LAE. Our gross reserves are reduced by reinsurance recoverable on our estimated losses and settlement expenses to calculate a net reserve balance. Loss reserves increased by 4% to $913 million as of March 31, 2021, from $881 million as of December 31, 2020. Reinsurance recoverables on our estimated losses and settlement expenses were $103 million and $95 million as of March 31, 2021 and December 31, 2020, respectively. The increase in loss reserves is primarily due to loss reserves established on new delinquency notices received in the quarter. In the first quarter of 2021, our re-estimation of reserves on previous delinquencies did not result in any meaningful loss reserve development.

Income Taxes - Our current income tax liability (receivable) was $34.8 million and ($2.1) million at March 31, 2021 and December 31, 2020, respectively and is included as a component of other liabilities (assets) in our consolidated balance sheets. The increase in our current income tax liability was primarily due to our first quarter estimated income tax payment not being due until the second quarter of 2021. Our deferred income tax liability was $37.9 million and $60.0 million at March 31, 2021 and December 31, 2020, respectively and is included as a component of other liabilities in our consolidated balance sheets. The decrease in our deferred income tax liability was primarily due to the tax effect of unrealized losses generated by the investment portfolio during the first quarter of 2021. At March 31, 2021 and December 31, 2020, we owned $271.0 million of tax and loss bonds. If the federal income tax rate increases, our net deferred income tax liability or asset would increase. In addition, we would set up a deferred income tax liability related to tax and loss bonds accrued on the effective date of the tax rate increase. The amount of the deferred income tax liability would be for the difference in the new federal income tax rate and the 21% federal income tax rate at which the tax and loss bonds were accrued.

Investment portfolio

The average duration and investment yield of our investment portfolio as of March 31, 2021, December 31, 2020, and March 31, 2020 are shown in the table below.

Portfolio duration and embedded investment yield

	March 31, 2021	December 31, 2020	March 31, 2020
Duration (in years)	**4.5**	4.3	4.0
Pre-tax yield (1)	**2.5%**	2.6%	3.1%
After-tax yield (1)	**2.1%**	2.1%	2.5%

(1) Embedded investment yield is calculated on a yield-to-worst basis.

The security ratings of our fixed income investments as of March 31, 2021, December 31, 2020, and March 31, 2020 are shown in the following table.

Fixed income security ratings

	Security Ratings (1)			
Period	**AAA**	**AA**	**A**	**BBB**
March 31, 2021	**21%**	**24%**	**35%**	**20%**
December 31, 2020	23%	22%	35%	20%
March 31, 2020	22%	20%	35%	22%

(1) Ratings are provided by one or more of: Moody's, Standard & Poor's and Fitch Ratings. If three ratings are available, the middle rating is utilized; otherwise the lowest rating is utilized.

Off-Balance Sheet Arrangements

Home Re 2018-1 Ltd., Home Re 2019-1 Ltd. Home Re 2020-1 Ltd. and Home Re 2021-1 Ltd. are special purpose variable interest entities that are not consolidated in our consolidated financial statements because we do not have the unilateral power to direct those activities that are significant to their economic performance. See Note 4 - “Reinsurance,” to our consolidated financial statements for additional information.

Liquidity and Capital Resources

Consolidated Cash Flow Analysis

We have three primary types of cash flows: (1) operating cash flows, which consist mainly of cash generated by our insurance operations and income earned on our investment portfolio, less amounts paid for claims, interest expense and operating expenses, (2) investing cash flows related to the purchase, sale and maturity of investments and purchases of property and equipment and (3) financing cash flows generally from activities that impact our capital structure, such as changes in debt and shares outstanding, and dividend payouts. The following table summarizes our consolidated cash flows from operating, investing and financing activities:

Summary of consolidated cash flows

	Three Months Ended March 31,			
(In thousands)		**2021**		2020
Total cash provided by (used in):				
Operating activities	$	198,033	$	184,324
Investing activities		(274,499)		166,153
Financing activities		(27,448)		(150,007)
Increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	**$**	**(103,914)**	$	200,470

Net cash provided by operating activities for the three months ended March 31, 2021 increased compared to the same period of 2020 primarily due to a lower level of losses paid, net, offset by an increase in interest payments on our outstanding debt obligations.

Net cash used in investing activities for the three months ended March 31, 2021 primarily reflects purchases of fixed income and equity securities during the period that exceeded sales and maturities of fixed income and equity securities during the period as cash from operations was available for additional investment. Net cash provided by investing activities for the three months ended March 31, 2020 primarily reflects sales and maturities of fixed income and equity securities in amounts that exceeded our purchases of fixed income and equity securities during the period.

Net cash from financing activities for the three months ended March 31, 2021 primarily reflects dividends to shareholders, and the payment of withholding taxes related to share-based compensation net share settlement. Net cash used in financing activities for the three months ended March 31, 2020 reflects share repurchases during the period, as well as dividends paid to shareholders, and payments of withholding taxes related to share-based compensation net share settlement.

Capitalization

Debt - holding company

As of March 31, 2021, our holding company's debt obligations were $1.1 billion in aggregate principal consisting of our 5.75% Notes, 5.25% Notes, and 9% Debentures. In the third quarter of 2020, MGIC distributed to the holding company, as a dividend, its ownership in the 9% Debentures, retiring those 9% Debentures. As of March 31, 2020 MGIC's ownership of our holding company's 9% Debentures of $132.7 million was eliminated in consolidation, but remained an obligation of our holding company.

Liquidity analysis - holding company

As of March 31, 2021, we had approximately $802 million in cash and investments at our holding company. These resources are maintained primarily to service our debt interest expense, pay debt maturities, repurchase shares, repurchase debt, pay dividends to shareholders, and to settle intercompany obligations. While these assets are held, we generate investment income that serves to offset a portion of our interest expense. Investment income and the payment of dividends from our insurance subsidiaries are the principal sources of holding company cash inflow. MGIC is the principal source of dividends, and their payment is restricted by insurance regulation and under the PMIERS guidance, requires GSE approval through June 30, 2021. See Note 14 - "Statutory Information" to our consolidated financial statement for additional information about MGIC's dividend restrictions. The payment of dividends from MGIC is also influenced by our view of the appropriate level of PMIERs Available Assets to maintain in excess of Minimum Required Assets. Other sources of holding company liquidity include raising capital in the public markets. The ability to raise capital in the public markets is subject to prevailing market conditions, investor demand for the securities to be issued, and our deemed creditworthiness.

In the first quarter of 2021 we paid $21 million in dividends to shareholders. On April 29, 2021, our Board of Directors declared a quarterly cash dividend of $0.06 per common share to shareholders of record on May 13, 2021, payable on May 27, 2021.

In the first three months of 2021, our holding company cash and investments decreased by $45 million to $802 million as of March 31, 2021.

Significant cash and investments *inflows* during the first three months:

- $ 4.5 million of investment income.

Significant cash *outflows* during the first three months:

- $21 million in cash dividends paid to shareholders
- $24 million of interest payments on our 5.75% Notes and 5.25% Notes.

We did not repurchase any shares during the three months ended March 31, 2021 compared to the repurchase of 9.6 million shares of common stock for the three months ended March 31, 2020. The share repurchase programs may be suspended or discontinued at any time, and in light of the uncertainty caused by the COVID-19 pandemic, we had temporarily suspended stock repurchases, but may resume them in the future. See "Overview - Capital" of this MD&A for a discussion of the share repurchase program authorized in January 2020.

MGIC did not pay a cash and/or investment security dividend to our holding company in the first three months 2021, compared to a $390 million dividend in the first three months of 2020. Future dividend payments from MGIC to the holding company will be determined on a quarterly basis, in consultation with the board, and after considering any updated estimates about the length and severity of the economic impacts of the COVID-19 pandemic on our business. We ask the Wisconsin OCI not to object before MGIC pays dividends to the holding company. Under the PMIERS guidance, any dividend paid by MGIC to our holding company, through June 30, 2021, requires GSE approval.

The net unrealized gains on our holding company investment portfolio were approximately $2.0 million at March 31, 2021 and the portfolio had a modified duration of approximately 1.9 years.

Subject to certain limitations and restrictions, holders of each of the 9% Debentures may convert their notes into shares of our common stock at their option prior to certain dates under the terms of their issuance, in which case our corresponding obligation will be eliminated.

See Note 7 – "Debt" to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2020 for additional information about the conversion terms of our 9% Debentures and the terms of our indebtedness, including our option to defer interest on our 9% Debentures. The description in Note 7 - "Debt" to our consolidated financial statements in our Annual Report on Form 10-K is qualified in its entirety by the terms of the notes and debentures.

Although not anticipated in the near term, we may also contribute funds to our insurance operations to comply with the PMIERs or the State Capital Requirements. See "Overview - Capital" above for a discussion of these requirements.

Debt at subsidiaries

MGIC is a member of the FHLB, which provides MGIC access to an additional source of liquidity via a secured lending facility. MGIC borrowed $155 million in the form of a fixed rate advance from the FHLB. Interest on the Advance is payable monthly at an annual rate, fixed for the term of the Advance, of 1.91%. The principal of the Advance matures on February 10, 2023. MGIC may prepay the Advance at any time. Such prepayment would be below par if interest rates have risen after the Advance was originated, or above par if interest rates have declined. The Advance is secured by eligible collateral whose fair value is maintained at a minimum of 102% of the outstanding principal balance. MGIC provided eligible collateral from its investment portfolio.

Capital Adequacy

PMIERs

As of March 31, 2021, MGIC's Available Assets under the PMIERs totaled approximately $5.5 billion, an excess of approximately $2.3 billion over its Minimum Required Assets; and MGIC is in compliance with the requirements of the PMIERs and eligible to insure loans delivered to or purchased by the GSEs. Our reinsurance transactions provided an aggregate of approximately $1.8 billion of capital credit under the PMIERs as of March 31, 2021. Refer to Note 4 - "Reinsurance" to our consolidated financial statements for additional information on our QSR and Home Re Transactions.

We anticipate our delinquency inventory to remain elevated due to the impacts of the COVID-19 pandemic. The PMIERS generally require us to hold significantly more Minimum Required Assets for delinquent loans than for performing loans and the Minimum Required Assets required to be held increases as the number of payments missed on a delinquent loan increases. For delinquent loans whose initial missed payment occurred on or after March 1, 2020 and prior to April 1, 2021 (the "COVID-19 Crisis Period"), the Minimum Required Assets are generally reduced by 70% for at least three months. The 70% reduction will continue, or be newly applied, for delinquent loans that are subject to a forbearance plan that is granted in response to a financial hardship related to COVID-19, the terms of which are materially consistent with terms of forbearance plans offered by Freddie Mac or Fannie Mae. Under the PMIERs, a forbearance plan on a loan with an initial missed payment occurring during the COVID-19 Crisis Period is assumed to have been granted in response to a financial hardship related to COVID-19. Loans considered to be subject to a forbearance plan include those that are in a repayment plan or loan modification trial period following the forbearance plan.

Forbearance for federally-insured mortgages allows for mortgage payments to be suspended for up to 18 months: an initial forbearance period of up to six months; if requested by the borrower following contact by the servicers, an extension of up to six months; and for loans in a COVID-19 forbearance plan as of February 28, 2021 an additional six months, subject to certain limits. The servicer of the mortgage must begin attempts to contact the borrower no later than 30 days prior to the expiration of any forbearance plan term and must continue outreach attempts until appropriate contact is made or the forbearance plan term has expired. If a servicer of a loan is unable to contact the borrower prior to the expiration of the first six month forbearance plan term, or if the forbearance plan reaches its twelve-month anniversary and is not further extended, the forbearance plan will expire. In such case, the 70% reduction in Minimum Required Assets for that loan will no longer be applicable and our Minimum Required Assets will increase.

We expect the GSEs and servicers will provide us with information about the forbearance status for nearly all of the loans in our delinquency inventory. The forbearance information provided by the GSEs will be with respect to delinquent loans in forbearance as of the prior month-end, while the information provided by loan servicers may be more current. As a result, in some cases, there may be a delay in our ability to take advantage of the 70% reduction.

Refer to "Overview - Capital - GSEs" of this MD&A and our risk factor titled "We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility" for further discussion of PMIERs.

Risk-to-capital

The insurance laws of 16 jurisdictions, including Wisconsin, our domiciliary state, require a mortgage insurer to maintain a minimum amount of statutory capital relative to its RIF (or a similar measure) in order for the mortgage insurer to continue to write new business. While they vary among jurisdictions, the most common State Capital Requirements allow for a maximum risk-to-capital ratio of 25 to 1.

We compute our risk-to-capital ratio on a separate company statutory basis, as well as on a combined insurance operation basis. The risk-to-capital ratio is our net RIF divided by our policyholders' position. Our net RIF includes both primary and pool risk in force, net of reinsurance and excludes risk on policies that are currently in default and for which loss reserves have been established. The risk amount includes pools of loans with contractual aggregate loss limits and without these limits. Policyholders' position consists primarily of statutory policyholders' surplus (which increases as a result of statutory net income and decreases as a result of statutory net loss and dividends paid), plus the statutory contingency reserve, and a portion of the reserves for unearned premiums. The statutory contingency reserve is reported as a liability on the statutory balance sheet. A mortgage insurance company is required to make annual additions to the contingency reserve of approximately 50% of net earned premiums. These contributions must generally be maintained for a period of ten years. However, with regulatory approval a mortgage insurance company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net earned premiums in a calendar year.

MGIC's separate company risk-to-capital calculation is shown in the table below.

Risk-to-capital - MGIC separate company

(In millions, except ratio)	**March 31, 2021**	December 31, 2020
RIF - net [1]	**$ 44,642**	$ 44,511
Statutory policyholders' surplus	**1,380**	1,336
Statutory contingency reserve	**3,667**	3,521
Statutory policyholders' position	**$ 5,047**	$ 4,857
Risk-to-capital	**8.8:1**	9.2:1

(1) RIF – net, as shown in the table above is net of reinsurance and exposure on policies currently delinquent ($2.7 billion at March 31, 2021 and $2.9 billion December 31, 2020) for which loss reserves have been established.

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

Risk-to-capital - Combined insurance companies

(In millions, except ratio)	**March 31, 2021**	December 31, 2020
RIF - net [1]	**$ 45,061**	$ 44,868
Statutory policyholders' surplus	**1,383**	1,340
Statutory contingency reserve	**3,733**	3,586
Statutory policyholders' position	**$ 5,116**	$ 4,926
Risk-to-capital	**8.8:1**	9.1:1

(1) RIF – net, as shown in the table above, is net of reinsurance and exposure on policies currently delinquent ($2.7 billion at March 31, 2021 and $2.9 billion December 31, 2020) for which loss reserves have been established.

The decrease in MGIC's risk-to-capital and our combined insurance companies' risk to capital in the first three months of 2021 was primarily due to an increase in the statutory policyholders' position.

For additional information regarding regulatory capital see Note 14 – "Statutory Information" to our consolidated financial statements as well as our risk factor titled "State Capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis."

Financial Strength Ratings

MGIC financial strength ratings

Rating Agency	**Rating**	**Outlook**
Moody's Investor Services	Baa1	Stable
Standard and Poor's Rating Services	BBB+	Stable
A.M. Best	A-	Stable

MAC financial strength ratings

Rating Agency	**Rating**	**Outlook**
A.M. Best	A-	Stable

For further information about the importance of MGIC's ratings, see our risk factor titled "Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses."

Contractual Obligations

The following table summarizes, as of March 31, 2021, the approximate future payments under our contractual obligations and estimated claim payments on established loss reserves.

Contractual obligations

	Payments due by period				
(In millions)	**Total**	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	**$ 2,351.2**	$ 69.9	$ 526.6	$ 105.8	$ 1,648.9
Operating lease obligations	**1.7**	0.8	0.9	—	—
Purchase obligations	**56.8**	28.7	28.1	—	—
Other long-term liabilities	**913.1**	127.9	392.6	392.6	—
Total	**$ 3,322.8**	$ 227.3	$ 948.2	$ 498.4	$ 1,648.9

Our long-term debt obligations as of March 31, 2021 include their related interest and are discussed in Note 3 - “Debt” to our consolidated financial statements and under “Liquidity and Capital Resources” above. Our operating lease obligations include operating leases on certain office space, data processing equipment and autos, as discussed in Note 16 – “Leases” to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2020. Purchase obligations consist primarily of agreements to purchase items related to our continued investment in our information technology infrastructure in the normal course of business.

Our other long-term liabilities represent the case and LAE loss reserves established to recognize the liability for losses and LAE related to existing delinquency inventory on insured mortgage loans and our IBNR reserve. The timing of the future claim payments associated with the established case loss reserves was determined primarily based on two key assumptions: the length of time it takes for a notice of delinquency to develop into a received claim and the length of time it takes for a received claim to be ultimately paid. The future claim payment periods are estimated based on historical experience, and could emerge differently than this estimate, in part, due to uncertainty regarding the impact of certain factors, such as impacts from the COVID-19 pandemic, loss mitigation protocols established by servicers and changes in some state foreclosure laws that may include, for example, a requirement for additional review and/or mediation process.

See Note 11 – “Loss Reserves” to our consolidated financial statements. In accordance with GAAP for the mortgage insurance industry, we establish case loss reserves only for delinquent loans that were reported to us as two payments past due and have not become current or resulted in a claim payment. Because our reserving method does not take into account the impact of future losses that could occur from loans that are not delinquent, our obligation for ultimate losses that we expect to occur under our policies in force at any period end is not reflected in our consolidated financial statements or in the table above.

Forward Looking Statements and Risk Factors

General: Our business, results of operations, and financial condition could be affected by the risk factors referred to under "Location of Risk Factors" below. These risk factors are an integral part of Management's Discussion and Analysis.

These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. Forward looking statements consist of statements which relate to matters other than historical fact. Among others, statements that include words such as we "believe," "anticipate" or "expect," or words of similar import, are forward looking statements. These risk factors, including the discussion of the impact of the COVID-19 pandemic, speak only as of the date of this press release and are subject to change without notice as the Company cannot predict all risks relating to this evolving set of events. We are not undertaking any obligation to update any forward looking statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements were made. Therefore, no reader of this document should rely on these statements being current as of any time other than the time at which this document was filed with the Securities and Exchange Commission.

While we communicate with security analysts from time to time, it is against our policy to disclose to them any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report, and such reports are not our responsibility.

Location of Risk Factors: The risk factors are in Item 1 A of our Annual Report on Form 10-K for the year ended December 31, 2020, as supplemented by Part II, Item 1 A of this Quarterly Report on Form 10-Q. The risk factors in the 10-K, as supplemented by those 10-Qs and through updating of various statistical and other information, are reproduced in Exhibit 99 to this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our investment portfolio is essentially a fixed income portfolio and is exposed to market risk. Important drivers of the market risk are credit spread risk and interest rate risk.

Credit spread risk is the risk that we will incur a loss due to adverse changes in credit spreads. Credit spread is the additional yield on fixed income securities above the risk-free rate (typically referenced as the yield on U.S. Treasury securities) that market participants require to compensate them for assuming credit, liquidity and/or prepayment risks.

We manage credit risk via our investment policy guidelines which primarily place our investments in investment grade securities and limit the amount of our credit exposure to any one issue, issuer and type of instrument. Guideline and investment portfolio detail is available in "Business – Section C, Investment Portfolio" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2020.

Interest rate risk is the risk that we will incur a loss due to adverse changes in interest rates relative to the characteristics of our interest bearing assets.

One of the measures used to quantify this exposure is modified duration. Modified duration measures the price sensitivity of the assets to the changes in spreads. At March 31, 2021, the modified duration of our fixed income investment portfolio was 4.5 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.5% in the fair value of our fixed income portfolio. For an upward shift in the yield curve, the fair value of our portfolio would decrease and for a downward shift in the yield curve, the fair value would increase. See Note 7 – "Investments" to our consolidated financial statements for additional disclosure surrounding our investment portfolio.

Item 4. Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer concluded that such controls and procedures were effective as of the end of such period. There was no change in our internal control over financial reporting that occurred during the first quarter of 2021 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Certain legal proceedings arising in the ordinary course of business may be filed or pending against us from time to time. For information about such legal proceedings, you should review Note 5 - "Litigation and Contingencies" to our consolidated financial statements our risk factor titled "We are involved in legal proceedings and are subject to the risk of additional legal proceedings in the future" in Exhibit 99.

Item 1 A. Risk Factors

With the exception of the changes described and set forth below, there have been no material changes in our risk factors from the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The risk factors in the 10-K, as supplemented by this 10-Q and through updating of various statistical and other information, are reproduced in their entirety in Exhibit 99 to this Quarterly Report on Form 10-Q.

Risk Factors Relating to the COVID-19 Pandemic

The COVID-19 pandemic may continue to materially impact our financial results and may also materially impact our business, liquidity and financial condition.

The COVID-19 pandemic had a material impact on our 2020 financial results. While uncertain, the future impact of the COVID-19 pandemic on the Company's business, financial results, liquidity and/or financial condition may also be material. The magnitude of the impact will be influenced by various factors, including the length and severity of the pandemic in the United States, the length of time that measures intended to reduce the transmission of COVID-19 remain in place, the level of unemployment, and the impact of government initiatives and actions taken by Fannie Mae and Freddie Mac (the "GSEs") (including mortgage forbearance and modification programs) to mitigate the economic harm caused by COVID-19.

The COVID-19 pandemic may continue to impact our business in various ways, including the following, each of which is described in more detail in the remainder of these risk factors:

- Our incurred losses will increase if the number of insured mortgages in our delinquency inventory increases. We establish reserves for insurance losses when delinquency notices are received on loans that are two or more payments past due and for loans we estimate are delinquent prior to the close of the accounting period but for which delinquency notices have not yet been reported to us (this is often referred to as "IBNR"). In addition, our current estimates of the number of delinquencies for which we will receive claims, and the amount, or severity, of each claim, may increase.

- We may be required to maintain more capital under the private mortgage insurer eligibility requirements ("PMIERs") of the GSEs, which generally require more capital to be held for delinquent loans than for performing loans and require more capital to be held as the number of payments missed on delinquent loans increases.

- If the number of delinquencies increases, the number of claims we must pay over time will generally increase.

- Our access to the reinsurance and capital markets may be limited and the terms under which we are able to access such markets may be less attractive than the terms of our previous transactions.

Risk Factors Relating to the Mortgage Insurance Industry and its Regulation

Downturns in the domestic economy or declines in home prices may result in more homeowners defaulting and our losses increasing, with a corresponding decrease in our returns.

Losses result from events that reduce a borrower's ability or willingness to make mortgage payments, such as unemployment, health issues, family status, and whether the home of a borrower who defaults on a mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. A deterioration in economic conditions, including an increase in unemployment, generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect home prices, which in turn can influence the willingness of borrowers with sufficient resources to make mortgage payments when the mortgage balance exceeds the value of the home. In 2020, according to the Purchase-Only U.S. Home Price Index of the Federal Housing Finance Agency (the "FHFA"), which is based on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac, home prices increased by 10.9% in 2020, after increasing by 5.5%, 5.8%, 6.4% and 6.0% in 2016, 2017, 2018 and 2019, respectively. Home prices may decline even absent a deterioration in economic conditions due to declines in demand for homes, which in turn may result from changes in buyers' perceptions of the potential for future appreciation, restrictions on and the cost of mortgage credit due to more stringent underwriting standards, higher interest rates, changes to the tax deductibility of mortgage interest, decreases in the rate of household formations, or other factors.

The unemployment rate rose from 3.5% as of December 31, 2019, to 14.7% as of April 30, 2020. It was 6.0% as of March 31, 2021. High levels of unemployment may result in an increasing number of loans in our delinquency inventory and an increasing number of insurance claims; however, the increases are difficult to predict given the uncertainty in the current market environment, including uncertainty about the length and severity of the COVID-19 pandemic; the length of time that measures intended to reduce the transmission of COVID-19 remain in place; effects of forbearance programs enacted by the GSEs, various states and municipalities; and effects of past and future government stimulus programs. Current programs include, among others:

- Payment forbearance on federally-backed mortgages (including those delivered to or purchased by the GSEs) to borrowers experiencing a hardship during the COVID-19 pandemic.

- Additional cash payments to individuals provided for in the American Rescue Plan Act signed into law in March 2021.

- For those mortgages that are not subject to forbearance, a suspension of foreclosures and evictions until at least June 30, 2021, on mortgages purchased or securitized by the GSEs.

- Enhanced unemployment payments through September 6, 2021.

- An extension of the maximum duration for unemployment benefits, generally through September 6, 2021.

Forbearance for federally-insured mortgages allows for mortgage payments to be suspended for up to 18 months: an initial forbearance period of up to six months; if requested by the borrower following contact by the servicer, an extension of up to six months; and, for loans in a COVID-19 forbearance plan as of February 28, 2021, an additional extension of up to six months, subject to certain limits. The servicer of the loan must begin attempts to contact the borrower no later than 30 days prior to the expiration of any forbearance plan term and must continue outreach attempts until appropriate contact is made or the forbearance plan term has expired. In certain circumstances, the servicer will be unable to contact the borrower and the forbearance plan will expire after the first 180-day plan. A delinquent loan for which the borrower was unable to be contacted and that is not in a forbearance plan may be more likely to result in a claim than a delinquent loan in a forbearance plan.

Of our insurance in force written in 2020, approximately 13.1% was not delivered to or purchased by the GSEs. While servicers of some non-GSE loans may not be required to offer forbearance to borrowers, we allow servicers to apply GSE loss mitigation programs to non-GSE loans. In addition, the Consumer Financial Protection Bureau ("CFPB") requires substantial loss mitigation efforts be made prior to servicers initiating foreclosures, therefore, servicers of non-GSE loans may have an incentive to offer forbearance or deferment.

On April 5, 2021, the CFPB issued a Notice of Proposed Rulemaking ("NPR") regarding mortgage servicing. Although we cannot predict the contents or timing of a final rule, the NPR included a provision that would require a pre-foreclosure review period that would generally prohibit servicers from starting foreclosure until after December 2021, with the review period intended to allow for loss mitigation options to be explored.

Historically, forbearance plans have reduced the incidence of our losses on affected loans. However, given the uncertainty surrounding the long-term economic impact of COVID-19, it is difficult to predict the ultimate effect of COVID-19 related forbearances on our loss incidence. Of the loans in our delinquency inventory at March 31, 2021, 32,034 were reported to us as in forbearance. Of the 46,684 loans in our delinquency inventory as of June 30, 2020 that were reported to us as in forbearance, 58.8% are no longer in the default inventory as of March 31, 2021; 34.4% are still in the delinquency inventory and reported to us as in forbearance; and 6.7% are still in the delinquency inventory but no longer reported to us as in forbearance. Based on the date each loan in our delinquency inventory was reported to us as being in forbearance, we estimate that during the second quarter of 2021, 62% of those will reach their twelve-month anniversary of having been in forbearance and, unless their forbearance plans are extended, their forbearance plans may end. Whether a loan delinquency will cure, including through modification, when forbearance ends will depend on the economic circumstances of the borrower at that time. The severity of losses associated with delinquencies that do not cure will depend on economic conditions at that time, including home prices.

We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility.

We must comply with a GSE's PMIERs to be eligible to insure loans delivered to or purchased by that GSE. The PMIERs include financial requirements, as well as business, quality control and certain transaction approval requirements. The financial requirements of the PMIERs require a mortgage insurer's "Available Assets" (generally only the most liquid assets of an insurer) to equal or exceed its "Minimum Required Assets" (which are generally based on an insurer's book of risk in force and calculated from tables of factors with several risk dimensions, reduced for credit given for risk ceded under reinsurance agreements).

Based on our interpretation of the PMIERs, as of March 31, 2021, MGIC's Available Assets totaled $5.5 billion, or $2.3 billion in excess of its Minimum Required Assets. MGIC is in compliance with the PMIERs and eligible to insure loans purchased by the GSEs. Our "Minimum Required Assets" reflect a credit for risk ceded under our reinsurance transactions, which are discussed in our risk factor titled "The mix of business we write affects our Minimum Required Assets under the PMIERs, our premium yields and the likelihood of losses occurring." The calculated credit for excess of loss reinsurance transactions under PMIERs is generally based on the PMIERs requirement of the covered loans and the attachment and detachment points of the coverage, all of which fluctuate over time. PMIERs credit is generally not given for the reinsured risk above the PMIERs requirement. The GSEs have discretion to further limit reinsurance credit under the PMIERs. The total credit for risk ceded under our reinsurance transactions is subject to a modest reduction and is subject to periodic review by the GSEs. There is a risk we will not receive our current level of credit in future periods for ceded risk. In addition, we may not receive the same level of credit under future reinsurance transactions that we receive under existing transactions. If MGIC is not allowed certain levels of credit under the PMIERs, under certain circumstances, MGIC may terminate the reinsurance transactions without penalty.

The PMIERs generally require us to hold significantly more Minimum Required Assets for delinquent loans than for performing loans and the Minimum Required Assets required to be held increases as the number of payments missed on a delinquent loan increases. For delinquent loans whose initial missed payment occurred on or after March 1, 2020 and prior to April 1, 2021 (the "COVID-19 Crisis Period"), the Minimum Required Assets are generally reduced by 70% for at least three months. The 70% reduction will continue, or be newly applied, for delinquent loans that are subject to a forbearance plan that is granted in response to a financial hardship related to COVID-19, the terms of which are materially consistent with terms of forbearance plans offered by Freddie Mac or Fannie Mae. Under the PMIERs, a forbearance plan on a loan with an initial missed payment occurring during the COVID-19 Crisis Period is assumed to have been granted in response to a financial hardship related to COVID-19. Loans considered to be subject to a forbearance plan include those that are in a repayment plan or loan modification trial period following the forbearance plan. As noted above, if a servicer of a loan is unable to contact the borrower prior to the expiration of the first 180-day forbearance plan term, or if the forbearance plan reaches its twelve-month anniversary and is not further extended, the forbearance plan generally will expire. In such case, the 70% reduction in Minimum Required Assets for that loan will no longer be applicable, our Minimum Required Assets will increase and our excess of Available Assets over Minimum Required Assets will decrease. As of March 31, 2021, application of the 70% reduction decreased our Minimum Required Assets from approximately $3.9 billion to approximately $3.2 billion. We do not expect our Minimum Required Assets for the loans in forbearance at March 31, 2021 to increase by the full amount of the reduction upon expiration of the forbearance plans because we expect some loans whose forbearance plans expire to have their delinquencies cured through modification or otherwise.

Despite reducing the Minimum Required Assets for certain delinquent loans by 70%, an increasing number of loan delinquencies caused by the COVID-19 pandemic may cause our Minimum Required Assets to exceed our Available Assets. As of March 31, 2021, there were 52,775 loans in our delinquency inventory, of which 61% were reported to us as being subject to a forbearance plan. We believe substantially all of the reported forbearance plans are COVID-19-related. We are unable to predict the ultimate number of loans that will become delinquent as a result of the COVID-19 pandemic.

If our Available Assets fall below our Minimum Required Assets, we would not be in compliance with the PMIERs. The PMIERs provide a list of remediation actions for a mortgage insurer's non-compliance, with additional actions possible in the GSEs' discretion. At the extreme, the GSEs may suspend or terminate our eligibility to insure loans purchased by them. Such suspension or termination would significantly reduce the volume of our new insurance written ("NIW"); the substantial majority of which is for loans delivered to or purchased by the GSEs. In addition to the increase in Minimum Required Assets associated with delinquent loans, factors that may negatively impact MGIC's ability to continue to comply with the financial requirements of the PMIERs include the following:

- The GSEs may make the PMIERs more onerous in the future. The PMIERs provide that the factors that determine Minimum Required Assets will be updated periodically, or as needed if there is a significant change in macroeconomic conditions or loan performance. We do not anticipate that the regular periodic updates will occur more frequently than once every two years. The PMIERs state that the GSEs will provide notice 180 days prior to the effective date of updates to the factors; however, the GSEs may amend the PMIERs at any time, including by imposing restrictions specific to our company.

- There may be future implications for PMIERs as a result of changes to the regulatory capital requirements for the GSEs. In November 2020, the FHFA adopted a rule containing a risk-based capital framework for the GSEs that will increase their capital requirements, effective on the later of (i) the date of termination of the FHFA’s conservatorship of the applicable GSE; (ii) sixty days after publication of the adopted rule in the Federal Register; or (iii) any later compliance date provided in a consent order or other transition order applicable to a GSE. The increase in capital requirements may ultimately result in an increase in the Minimum Required Assets required to be held by mortgage insurers.

- Our future operating results may be negatively impacted by the matters discussed in the rest of these risk factors. Such matters could decrease our revenues, increase our losses or require the use of assets, thereby creating a shortfall in Available Assets.

Should capital be needed by MGIC in the future, capital contributions from our holding company may not be available due to competing demands on holding company resources, including for repayment of debt.

Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses.

The substantial majority of our NIW is for loans purchased by the GSEs; therefore, the business practices of the GSEs greatly impact our business and they include:

- The GSEs' PMIERs, the financial requirements of which are discussed in our risk factor titled *“We may not continue to meet the GSEs’ private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility.”*

- The capital and collateral requirements for participants in the GSEs' alternative forms of credit enhancement discussed in our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."*

- The level of private mortgage insurance coverage, subject to the limitations of the GSEs’ charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages (the GSEs generally require a level of mortgage insurance coverage that is higher than the level of coverage required by their charters; any change in the required level of coverage will impact our new risk written).

- The amount of loan level price adjustments and guaranty fees (which result in higher costs to borrowers) that the GSEs assess on loans that require private mortgage insurance. The recently adopted GSE capital framework may lead the GSEs to increase their guaranty fees.

- Whether the GSEs select or influence the mortgage lender’s selection of the mortgage insurer providing coverage.

- The underwriting standards that determine which loans are eligible for purchase by the GSEs, which can affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans.

- The terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law.

- The programs established by the GSEs intended to avoid or mitigate loss on insured mortgages and the circumstances in which mortgage servicers must implement such programs.

- The terms that the GSEs require to be included in mortgage insurance policies for loans that they purchase, including limitations on the rescission rights of mortgage insurers.

- The extent to which the GSEs intervene in mortgage insurers’ claims paying practices, rescission practices or rescission settlement practices with lenders.

- The maximum loan limits of the GSEs compared to those of the FHA and other investors.

The FHFA has been the conservator of the GSEs since 2008 and has the authority to control and direct their operations. The increased role that the federal government has assumed in the residential housing finance system through the GSE conservatorship may increase the likelihood that the business practices of the GSEs change, including through administrative action, in ways that have a material adverse effect on us and that the charters of the GSEs are changed by new federal legislation.

In 2019, the U.S. Treasury Department ("Treasury") released the “Treasury Housing Reform Plan” (the "Plan"). The Plan recommends administrative and legislative reforms for the housing finance system, with such reforms intended to achieve the goals of ending the conservatorships of the GSEs; increasing competition and participation by the private sector in the mortgage market including by authorizing the FHFA to approve additional guarantors of conventional mortgages in the secondary market, simplifying the qualified mortgage ("QM") rule of the CFPB, transferring risk to the private sector, and eliminating the "GSE Patch" (discussed below); establishing regulation of the GSEs that safeguards their safety and soundness and minimizes the risks they pose to the financial stability of the United States; and providing that the federal government is properly compensated for any explicit or implicit support it provides to the GSEs or the secondary housing finance market. The GSE capital framework adopted in November 2020 establishes a post-conservatorship regulatory capital framework intended to ensure that the GSEs operate in a safe and sound manner. In January 2021, the GSEs' Preferred Stock Purchase Agreements ("PSPAs") were amended to allow the GSEs to continue to retain earnings until they satisfy the requirements of the 2020 GSE capital framework. In addition, a proposed rule issued by the FHFA in December 2020 would require minimum funding requirements and new liquidity standards. The impact of the Plan on private mortgage insurance is unclear. The Plan does not refer to mortgage insurance explicitly; however, it refers to a requirement for credit enhancement on high LTV ratio loans, which is a requirement of the current GSE charters. The Plan also indicates that the FHFA should continue to support efforts to expand credit risk transfer ("CRT") programs and should encourage the GSEs to continue to engage in a diverse mix of economically sensible CRT programs, including by increasing reliance on institution-level capital (presumably, as distinguished from capital obtained in the capital markets). For more information about CRT programs, see our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."*

In late 2020, the CFPB adopted a rule that would have eliminated the GSE Patch effective upon the earlier of the GSEs' exit from conservatorship or July 1, 2021. In addition, a new QM definition would have become effective March 1, 2021. Although the CFPB has proposed to delay the elimination of the GSE Patch and the effectiveness of the new QM definition until October 1, 2022, the GSEs have announced that loans with applications received on or after July 1, 2021 cannot be GSE Patch loans and must conform to the new QM definition. The GSE Patch had expanded the definition of QM under the Truth in Lending Act (Regulation Z) ("TILA") to include mortgages eligible to be purchased by the GSEs, even if the mortgages did not meet the debt-to-income ("DTI") ratio limit of 43% that was included in the standard QM definition. Originating a QM may provide a lender with legal protection from lawsuits that claim the lender failed to verify a borrower’s ability to repay. The new QM definition continues to require lenders to consider a borrower's DTI ratio; however, it replaces the DTI ratio cap with a pricing threshold that excludes from the definition of QM a loan whose annual percentage rate ("APR") exceeds the average prime offer rate for comparable loans by 2.25 percentage points or more. Although approximately 20% of our first quarter 2021 NIW was on loans with DTI ratios greater than 43%, we believe less than 2% of our first quarter 2021 NIW was on loans whose APR exceeded the maximum to qualify as a QM.

Treasury's Plan indicated that the FHFA and the Department of Housing and Urban Development ("HUD") should develop and implement a specific understanding as to the appropriate roles and overlap between the GSEs and FHA, including with respect to the GSEs’ acquisitions of high LTV ratio loans and high DTI ratio loans. In connection with the 2021 amendment to the PSPAs, the GSEs must limit the acquisition of certain loans with multiple higher risk characteristics related to LTV, DTI and credit score, to levels indicated to be their current levels at the time of the amendment.

As a result of the matters referred to above and the change in the Presidential Administration occurring in January 2021, it is uncertain what role the GSEs, FHA and private capital, including private mortgage insurance, will play in the residential housing finance system in the future. The timing and impact on our business of any resulting changes is uncertain. Many of the proposed changes would require Congressional action to implement and it is difficult to estimate when Congressional action would be final and how long any associated phase-in period may last.

Pandemics, hurricanes and other natural disasters may impact our incurred losses, the amount and timing of paid claims, our inventory of notices of default and our Minimum Required Assets under PMIERs.

Pandemics and other natural disasters, such as hurricanes, tornadoes, earthquakes, wildfires and floods, or other events related to changing climatic conditions, could trigger an economic downturn in the affected areas, or in areas with similar risks, which could result in a decline in our business and an increased claim rate on policies in those areas. Natural disasters and rising sea levels could lead to a decrease in home prices in the affected areas, or in areas with similar risks, which could result in an increase in claim severity on policies in those areas. In addition, the inability of a borrower to obtain hazard and/or flood insurance, or the increased cost of such insurance, could lead to an increase in defaults or a decrease in home prices in the affected areas. If we were to attempt to limit our new insurance written in disaster-prone areas, lenders may be unwilling to procure insurance from us anywhere.

Pandemics and other natural disasters could also lead to increased reinsurance rates or reduced availability of reinsurance. This may cause us to retain more risk than we otherwise would retain and could negatively affect our compliance with the financial requirements of the PMIERs.

The PMIERs require us to maintain significantly more "Minimum Required Assets" for delinquent loans than for performing loans; however, the increase in Minimum Required Assets is not as great for certain delinquent loans in areas that the Federal Emergency Management Agency has declared major disaster areas and for certain loans whose borrowers have been affected by COVID-19. An increase in delinquency notices resulting from a pandemic, such as the COVID-19 pandemic, or other natural disaster may result in an increase in "Minimum Required Assets" and a decrease in the level of our excess "Available Assets" which is discussed in our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility."*

On January 19, 2021, the FHFA issued a Request for Input ("RFI") regarding Climate and Natural Disaster Risk Management at the Regulated Entities (i.e. the GSEs and the Federal Home Loan Bank system). It is possible that efforts to manage this risk by the FHFA, GSEs or others could materially impact the volume and characteristics of our NIW, home prices in certain areas and defaults by borrowers in certain areas.

Risk Factors Relating to Our Business Generally

Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses.

The private mortgage insurance industry is highly competitive and is expected to remain so. We believe we currently compete with other private mortgage insurers based on premium rates, underwriting requirements, financial strength (including based on credit or financial strength ratings), customer relationships, name recognition, reputation, strength of management teams and field organizations, the ancillary products and services provided to lenders and the effective use of technology and innovation in the delivery and servicing of our mortgage insurance products.

Our relationships with our customers, which may affect the amount of our NIW, could be adversely affected by a variety of factors, including if our premium rates are higher than those of our competitors, our underwriting requirements are more restrictive than those of our competitors, or our customers are dissatisfied with our claims-paying practices (including insurance policy rescissions and claim curtailments).

In recent years, much of the competition in the industry has centered on pricing practices which have included: (a) decreased use of standard rate cards; and (b) increased use of (i) "risk-based pricing systems" that use a spectrum of filed rates to allow for formulaic, risk-based pricing based on multiple attributes that may be quickly adjusted within certain parameters, and (ii) customized rate plans, both of which typically have rates lower than the standard rate card. While our increased use of reinsurance over the past several years has helped to mitigate the negative effect of declining premium rates on our returns, refer to our risk factor titled *"Reinsurance may not always be available or affordable"* for a discussion of the risks associated with the availability of reinsurance.

The widespread use of risk-based pricing systems by the private mortgage insurance industry makes it more difficult to compare our rates to those offered by our competitors. We may not be aware of industry rate changes until we observe that our volume of NIW has changed. In addition, business under customized rate plans is awarded by certain customers for only limited periods of time. As a result, our NIW may fluctuate more than it had in the past. Regarding the concentration of our new business, our top ten customers accounted for approximately 41% and 26% of our NIW, in each of the twelve months ended March 31, 2021 and March 31, 2020, respectively.

We monitor various competitive and economic factors while seeking to balance both profitability and market share considerations in developing our pricing strategies. Premium rates on NIW will change our premium yield (net premiums earned divided by the average insurance in force) over time as older insurance policies run off and new insurance policies with different premium rates are written.

Certain of our competitors have access to capital at a lower cost than we do (including, through off-shore intercompany reinsurance vehicles, which have tax advantages that may increase if U.S. corporate income taxes increase). As a result, they may be able to achieve higher after-tax rates of return on their NIW compared to us, which could allow them to leverage reduced premium rates to gain market share, and they may be better positioned to compete outside of traditional mortgage insurance, including by participating in alternative forms of credit enhancement pursued by the GSEs discussed in our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance*."

Although the current PMIERs of the GSEs do not require an insurer to maintain minimum financial strength ratings, our financial strength ratings can affect us in the ways set forth below. If we are unable to compete effectively in the current or any future markets as a result of the financial strength ratings assigned to our insurance subsidiaries, our future new insurance written could be negatively affected.

- A downgrade in our financial strength ratings could result in increased scrutiny of our financial condition by the GSEs and/or our customers, potentially resulting in a decrease in the amount of our NIW.

- Our ability to participate in the non-GSE residential mortgage-backed securities market (the size of which has been limited since 2008, but may grow in the future), could depend on our ability to maintain and improve our investment grade ratings for our insurance subsidiaries. We could be competitively disadvantaged with some market participants because the financial strength ratings of our insurance subsidiaries are lower than those of some competitors. MGIC's financial strength rating from A.M. Best is A- (with a stable outlook), from Moody's is Baa1 (with a stable outlook) and from Standard & Poor's is BBB+ (with a stable outlook).

- Financial strength ratings may also play a greater role if the GSEs no longer operate in their current capacities, for example, due to legislative or regulatory action. In addition, although the PMIERs do not require minimum financial strength ratings, the GSEs consider financial strength ratings to be important when using forms of credit enhancement other than traditional mortgage insurance, as discussed in our risk factor titled "*The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."* The final GSE capital framework provides more capital credit for transactions with higher rated counterparties, as well as those who are diversified. Although we are currently unaware of a direct impact on MGIC, this could potentially become a competitive disadvantage in the future.

We rely on our management team and our business could be harmed if we are unable to retain qualified personnel or successfully develop and/or recruit their replacements.

Our success depends, in part, on the skills, working relationships and continued services of our management team and other key personnel. The unexpected departure of key personnel could adversely affect the conduct of our business. In such event, we would be required to obtain other personnel to manage and operate our business. In addition, we will be required to replace the knowledge and expertise of our aging workforce as our workers retire. In either case, there can be no assurance that we would be able to develop or recruit suitable replacements for the departing individuals; that replacements could be hired, if necessary, on terms that are favorable to us; or that we can successfully transition such replacements in a timely manner. We currently have not entered into any employment agreements with our officers or key personnel. Volatility or lack of performance in our stock price may affect our ability to retain our key personnel or attract replacements should key personnel depart. Without a properly skilled and experienced workforce, our costs, including productivity costs and costs to replace employees may increase, and this could negatively impact our earnings.

In response to the COVID-19 pandemic, the Company activated its business continuity program by transitioning to a virtual workforce model with certain essential activities supported by limited staff in controlled office environments. This transition was made to responsibly provide for the safety of employees and to continue to serve customers across our businesses. We have established an interim succession plan for each of our key executives, should an executive be unable to perform his or her duties.

The mix of business we write affects our Minimum Required Assets under the PMIERs, our premium yields and the likelihood of losses occurring.

The Minimum Required Assets under the PMIERs are, in part, a function of the direct risk-in-force and the risk profile of the loans we insure, considering LTV ratio, credit score, vintage, Home Affordable Refinance Program ("HARP") status and delinquency status; and whether the loans were insured under lender-paid mortgage insurance policies or other policies that are not subject to automatic termination consistent with the Homeowners Protection Act requirements for borrower-paid mortgage insurance. Therefore, if our direct risk-in-force increases through increases in NIW, or if our mix of business changes to include loans with higher LTV ratios or lower FICO scores, for example, all other things equal, we will be required to hold more Available Assets in order to maintain GSE eligibility.

The minimum capital required by the risk-based capital framework contained in the exposure draft released by the NAIC in December 2019 would be, in part, a function of certain loan and economic factors, including property location, LTV ratio and credit score; general underwriting quality in the market at the time of loan origination; the age of the loan; and the premium rate we charge. Depending on the provisions of the capital requirements when they are released in final form and become effective, our mix of business may affect the minimum capital we are required to hold under the new framework.

The percentage of our NIW from all single-premium policies was 9% in the first quarter of 2021 and 9% in 2020 and has ranged from approximately 9% in 2020 and 2021 to 19% in 2017. Depending on the actual life of a single premium policy and its premium rate relative to that of a monthly premium policy, a single premium policy may generate more or less premium than a monthly premium policy over its life.

As discussed in our risk factor titled "*Reinsurance may not always be available or affordable,"* we have in place various QSR transactions. Although the transactions reduce our premiums, they have a lesser impact on our overall results, as losses ceded under the transactions reduce our losses incurred and the ceding commissions we receive reduce our underwriting expenses. The effect of the QSR transactions on the various components of pre-tax income will vary from period to period, depending on the level of ceded losses. We also have in place various excess-of-loss ("XOL") reinsurance transactions, under which we cede premiums. Under the XOL reinsurance transactions, for the respective reinsurance coverage periods, we retain the first layer of aggregate losses, and a special purpose entity provides second layer coverage up to the outstanding reinsurance coverage amount.

In addition to the effect of reinsurance on our premiums, we expect a decline in our premium yield because an increasing percentage of our insurance in force is from recent book years whose premium rates had been trending lower.

Our ability to rescind insurance coverage became more limited for new insurance written beginning in mid-2012, and it became further limited for new insurance written under our revised master policy that became effective March 1, 2020. These limitations may result in higher losses than would be the case under our previous master policies. In addition, our rescission rights temporarily have become more limited due to accommodations we have made in connection with the COVID-19 pandemic. We have waived our rescission rights in certain circumstances where the failure to make payments was associated with a COVID-19 pandemic-related forbearance.

From time to time, in response to market conditions, we change the types of loans that we insure. We also may change our underwriting guidelines, in part by agreeing with certain approval recommendations from a GSE automated underwriting system. We also make exceptions to our underwriting requirements on a loan-by-loan basis and for certain customer programs. Our underwriting requirements are available on our website at http://www.mgic.com/underwriting/index.html.

Even when home prices are stable or rising, mortgages with certain characteristics have higher probabilities of claims. As of March 31, 2021, mortgages with these characteristics in our primary risk in force included mortgages with LTV ratios greater than 95% (14.5%), mortgages with borrowers having FICO scores below 680 (8.9%), including those with borrowers having FICO scores of 620-679 (7.5%), mortgages with limited underwriting, including limited borrower documentation (1.3%), and mortgages with borrowers having DTI ratios greater than 45% (or where no ratio is available) (13.4%), each attribute as determined at the time of loan origination. Loans with more than one of these attributes accounted for 2.5% of our primary risk in force as of March 31, 2021, and less than one percent of our NIW in the first quarter of 2021 and in 2020.

From time to time, we change the processes we use to underwrite loans. For example, we may rely on information provided to us by a lender that was obtained from certain of the GSEs' automated appraisal and income verification tools. Those tools may produce results that differ from the results that would have determined using different methods. For example, the appraisal tools may indicate property values that differ from the values that would have been determined by onsite appraisals. In addition, we continue to further automate our underwriting processes. It is possible that our automated processes result in our insuring loans that we would not otherwise have insured under our prior processes. In addition, the number of refinance loans receiving appraisal waivers from the GSEs increased significantly beginning in 2020 and temporary policies adopted by the GSEs in response to COVID-19, which we follow, allow for property valuations in certain transactions to be based on appraisals that do not involve an onsite or interior property inspection of the property. Our acceptance of GSE appraisal waivers and appraisal flexibilities may affect our pricing and risk assessment.

Approximately 69.4% of our first quarter 2021 NIW and 70.2% of our 2020 NIW (by risk written) was originated under delegated underwriting programs pursuant to which the loan originators had authority on our behalf to underwrite the loans for our mortgage insurance. For loans originated through a delegated underwriting program, we depend on the originators' compliance with our guidelines and rely on the originators' representations that the loans being insured satisfy the underwriting guidelines, eligibility criteria and other requirements. While we have established systems and processes to monitor whether certain aspects of our underwriting guidelines were being followed by the originators, such systems may not ensure that the guidelines were being strictly followed at the time the loans were originated.

The widespread use of risk-based pricing systems by the private mortgage insurance industry (discussed in our risk factor titled *"Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses"*) makes it more difficult to compare our premium rates to those offered by our competitors. We may not be aware of industry rate changes until we observe that our mix of new insurance written has changed and our mix may fluctuate more as a result.

If state or federal regulations or statutes are changed in ways that ease mortgage lending standards and/or requirements, or if lenders seek ways to replace business in times of lower mortgage originations, it is possible that more mortgage loans could be originated with higher risk characteristics than are currently being originated, such as loans with lower FICO scores and higher DTI ratios. Lenders could pressure mortgage insurers to insure such loans, which are expected to experience higher claim rates. Although we attempt to incorporate these higher expected claim rates into our underwriting and pricing models, there can be no assurance that the premiums earned and the associated investment income will be adequate to compensate for actual losses even under our current underwriting requirements.

Our holding company debt obligations materially exceed our holding company cash and investments.

At March 31, 2021, we had approximately $802 million in cash and investments at our holding company and our holding company's debt obligations were $1.1 billion in aggregate principal amount, consisting of $242 million of 5.75% Senior Notes due in 2023 ("5.75% Notes"), $650 million of 5.25% Senior Notes due 2028 (the 5.25% Notes), and $209 million of 9% Convertible Junior Subordinated Debentures due in 2063 ("9% Debentures"). Annual debt service on the 5.75% Notes, 5.25% Notes and 9% Debentures outstanding as of March 31, 2021, is approximately $70 million.

The 5.75% Senior Notes, 5.25% Senior Notes and 9% Debentures are obligations of our holding company, MGIC Investment Corporation, and not of its subsidiaries. The payment of dividends from our insurance subsidiaries which, other than investment income and raising capital in the public markets, is the principal source of our holding company cash inflow, is restricted by insurance regulation. In addition, through June 30, 2021, dividends paid by MGIC to our holding company require GSE approval. MGIC is the principal source of dividends, and in the first quarter of 2020, it paid a total of $390 million in dividends of cash and investments to our holding company. We ask the OCI not to object before MGIC pays dividends and, due to the uncertainty surrounding the COVID-19 pandemic, MGIC did not pay a dividend of cash and/or investment securities to the holding company after the first quarter of 2020; however, in the third quarter of 2020, MGIC distributed to the holding company, as a dividend, its ownership in $133 million of the 9% Debentures, with a fair value of $167 million. Future dividend payments from MGIC to the holding company will be determined on a quarterly basis in consultation with the board of directors, and after considering any updated estimates about the length and severity of the economic impacts of the COVID-19 pandemic on our business.

In 2020, we issued the 5.25% Senior Notes and used a portion of the proceeds to repurchase $183 million of our 5.75% Senior Notes and $48 million of our 9% Debentures. We may, from time to time, repurchase our debt obligations on the open market (including through 10b5-1 plans) or through privately negotiated transactions.

In 2020 we repurchased approximately 9.6 million shares of our common stock, using approximately $120 million of holding company resources. As of March 31, 2021, we had $291 million of authorization remaining to repurchase our common stock through the end of 2021 under a share repurchase program approved by our Board of Directors in January 2020. Repurchases may be made from time to time on the open market (including through 10b5-1 plans) or through privately negotiated transactions. The repurchase program may be suspended for periods or discontinued at any time. Due to the uncertainty caused by the COVID-19 pandemic, we had temporarily suspended stock repurchases but may resume them in the future. If any additional capital contributions to our subsidiaries were required, such contributions would decrease our holding company cash and investments. As described in our Current Report on Form 8-K filed with the SEC on February 11, 2016, MGIC borrowed $155 million from the Federal Home Loan Bank of Chicago. This is an obligation of MGIC and not of our holding company.

The Company may be adversely impacted by the transition from LIBOR as a reference rate.

The United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that after 2021 it would no longer publish one-week and two-month tenor USD LIBOR and that after June 30, 2023, it would no longer publish all other USD LIBOR tenors. Efforts are underway to identify and transition to a set of alternative reference rates. The set of alternative rates includes the Secured Overnight Financing Rate ("SOFR"), which the Federal Reserve Bank of New York began publishing in 2018. Because SOFR is calculated based on different criteria than LIBOR, SOFR and LIBOR may diverge.

While it is not currently possible to determine precisely whether, or to what extent, the replacement of LIBOR would affect us, the implementation of alternative benchmark rates to LIBOR may have an adverse effect on our business, results of operations or financial condition. We have three primary types of transactions that involve financial instruments referencing LIBOR. First, as of March 31, 2021, approximately 6% of the fair value of our investment portfolio consisted of securities referencing LIBOR, none of which reference one-week and two-month tenors. Second, as of December 31, 2020, approximately $0.8 billion of our risk in force was on adjustable rate mortgages whose interest is referenced to one-month USD LIBOR. A change in reference rate associated with these loans may affect their principal balance, which may affect our risk-in-force and the amount of Minimum Required Assets we are required to maintain under PMIERs. A change in reference rate may also affect the amount of principal and/or accrued interest we are required to pay in the event of a claim payment. Third, we enter into reinsurance agreements under which our premiums are determined, in part, by the difference between interest payable on the reinsurers' notes which reference one-month USD LIBOR and earnings from a pool of securities receiving interest that may reference LIBOR (in 2020, our total premiums on such transactions were approximately $20.8 million).

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information about purchases of MGIC Investment Corporation common stock by us during the three months ended March 31, 2021.

Share repurchases

Period Beginning	Period Ending	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the programs (1)
January 1, 2021	January 31, 2021	—	$ —	—	$ 290,818,024
February 1, 2021	February 28, 2021	—	$ —	—	$ 290,818,024
March 1, 2021	March 31, 2021	—	$ —	—	$ 290,818,024
		—	$ —	—	

(1) On January 28, 2020, our Board of Directors authorized a share repurchase program under which we may repurchase up to an additional $291 million of our common stock through the end of 2021. Repurchases may be made from time to time on the open market (including through 10b5-1 plans) or through privately negotiated transactions. The repurchase program may be suspended for periods or discontinued at any time, and in light of the uncertainty caused by the COVID-19 pandemic, we had temporarily suspended stock repurchases but may resume in the future.

Item 5. Other Information

In accordance with applicable SEC rules, the following is intended to satisfy the Company's Item 5.02(e) Form 8-K reporting obligations by making timely disclosure in accordance with Item 5(a) of Form 10-Q.

On May 5, 2021, the Company entered into amended and restated Key Executive Employment and Severance Agreements ("KEESAs") with each of its named executive officers.

The KEESAs provide the executive officer with certain protections during the three-year period after a change in control (the "Employment Period"). While the executive officer is employed during the Employment Period, the executive officer is entitled to a base salary no less than the base salary in effect prior to the change in control. The executive officer is also entitled to participate in medical, life insurance and other benefit plans made available to salaried employees generally and other benefits provided to executives of comparable rank, including bonus programs, stock awards, supplemental retirement benefits and periodic physicals. If the executive officer experiences a termination of the employment by the Company other than for cause and not due to death or disability, or by the executive officer for good reason, in either case during the Employment Period (a "Covered Termination"), he or she is entitled to a termination payment (the "Termination Payment"), continued life and health insurance for the remainder of the Employment Period or, if earlier, until the time he or she obtains similar coverage from a new employer, outplacement services and up to a total of $10,000 to cover tax preparation, legal and accounting services relating to the KEESA termination payment. Neither the prior KEESAs nor the amended and restated KEESAs provide for any gross-ups for excise taxes resulting from payment upon a change in control.

The amended and restated KEESAs generally include the same terms, and involve generally the same potential payment amounts, as the prior KEESAs that are described and quantified under the heading "Compensation and Related Tables – Potential Payments Upon Termination or Change-in-Control" in the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 26, 2021, except for the following changes:

- The executive officer's bonus opportunity during the Employment Period must have target and maximum levels that are no less than the corresponding target and maximum bonus levels under the executive officer's bonus opportunity prior to the change in control. The prior KEESAs had described the required bonus opportunity only in terms of a percentage of the maximum bonus opportunity prior to the change in control.

- During the Employment Period, the executive officer will be entitled to receive annual grants of equity awards that are as favorable to the executive officer as the equity awards granted to the executive officer in either the year of, or the year immediately preceding, the change in control. The prior KEESAs required the aggregate value of equity awards and other fringe benefits to be not less than 75% of the aggregate annual value of such benefits made available to the executive officers prior to the change in control.

- Upon a change in control, the amended and restated KEESA provides for the same "double trigger" vesting that is currently set forth in the Company's 2015 and 2020 Omnibus Incentive Plans except that, if outstanding equity awards are not assumed or the executive officer does not receive a substitute award from the acquirer in the change in control transaction, performance-vesting restricted stock units will vest based on the greater of target performance, performance as measured through the date of the change in control (as measured against a pro-rated portion of the performance goal) or the most recently forecasted performance through the end of the performance period, instead of in the maximum amount, as under the prior KEESAs.

  The amended and restated KEESA would apply the same approach to unvested performance-vesting restricted stock units upon a Covered Termination.

- Upon a Covered Termination, the amended and restated KEESAs modify the calculation of the Termination Payment that will be payable to the executive officer so that (a) the calculation is the same regardless of when during the Employment Period the Covered Termination occurs and (b) the bonus component of the Termination Payment calculation is based, in relevant part, on the executive officer's target, rather than maximum, bonus. In addition, the amended and restated KEESAs modify the calculation of the Termination Payment such that rather than taking into account, as under the prior KEESAs, an amount equal to the actuarial equivalent of the executive officer's life annuity benefit accruals under the Company's pension plan and supplemental executive retirement plan ("SERP") for the year of termination or a prior year (whichever is greater), under the amended and restated KEESAs, the calculation takes into account the dollar value of the amounts that were or would have been credited to the executive officer's account as a cash balance contribution credit under the pension plan and the SERP.

- The amended and restated KEESAs will modify the definition of "good reason" following a change in control to add as a triggering event certain relocations of the executive officer's principal place of employment more than 50 miles.

- Upon a Covered Termination, rather than receiving, as under the prior KEESAs, the bonus otherwise payable to the executive officer for the year of termination , under the amended and restated KEESAs, an executive officer would receive only a pro rata bonus; such pro rata bonus would be calculated and paid on the basis of the greater of performance as measured through the termination date or the most recently forecasted performance through the end of the performance period.

- Upon a Covered Termination, the duration of health and welfare benefits under the amended and restated KEESAs will match the severance period rather than, as under the prior KEESAs, being linked to the end of the Employment Period.

- Following a Covered Termination, in addition to a 12-month non-competition provision similar to the non-competition provision in the prior KEESAs, the executive officer will be subject to a 12-month non-solicitation provision with respect to the Company's employees and customers.

As under the prior KEESAs, under the amended and restated KEESAs, if a change in control and Covered Termination occur, the executive officer is entitled to receive a Termination Payment equal to a multiple of the sum of his or her annual base salary, a bonus component and an amount representing benefit credits under certain of the Company's retirement plans. This Termination Payment is payable in one or two lump sums, depending on limits on amounts that may be paid within six months of termination under applicable tax rules and regulations. The first lump sum is payable within 10 business days after the termination date and the second lump sum, if required by applicable tax rules and regulations, is payable six months thereafter.

If the payments and benefits under the prior KEESAs would result in an excise tax under the "golden parachute" rules, then, depending on an executive officer's pay grade and the date of his or her KEESA, the payments and benefits would either be reduced to a level that would not trigger the excise tax, or they would be determined using a "net best" approach. Under the "net best" approach, the amount of the payments and benefits would either be reduced to a level that would not trigger the excise tax or paid in full, with the executive officer being responsible for the excise tax, whichever was more favorable to the executive officer on an after-tax basis. Under the amended and restated KEESA, the "net best" approach applies to all executive officers.

In addition to the non-competition and non-solicitation provisions described above, the KEESAs also impose confidentiality obligations on the executive officers.

Under the KEESAs, a change in control generally would occur upon the acquisition by certain unrelated persons of 50% or more of the Company's Common Stock; an exogenous change in the majority of the Company's Board of Directors; certain mergers, consolidations or share exchanges or related share issuances; or the Company's sale or disposition of all or substantially all of its assets. The Company would have "cause" to terminate an executive under a KEESA if the executive officer were to: intentionally engage in certain bad faith conduct causing demonstrable and serious financial injury to the Company; be convicted of certain felonies; or willfully, unreasonably and continuously refuse to perform his or her existing duties or responsibilities. An executive officer would have "good reason" under his or her KEESA if the Company were to breach the terms of the KEESA or make certain changes to the executive officer's position, principal place of employment or working conditions.

The form of amended and restated KEESA is filed as Exhibit 10.11.5 to this Quarterly Report on Form 10-Q. The foregoing description is only a summary and is qualified by the actual terms of the amended and restated KEESA.

Item 6. Exhibits

The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item, and except as otherwise indicated in the next sentence, the Exhibits listed in such Index are filed as part of this Form 10-Q. Exhibit 32 is not filed as part of this Form 10-Q but accompanies this Form 10-Q.

(Part II, Item 6)

Index to exhibits

Exhibit Number	Description of Exhibit	Form	Exhibit(s)	Filing Date
3.2	Amended and Restated Bylaws, as amended	8-K	3.2	May 3, 2021
4.2	Amended and Restated Bylaws, as amended (included as Exhibit 3.2)	8-K	3.2	May 3, 2021
10.2.25	Form of Restricted Stock Unit Agreement under 2020 Omnibus Incentive Plan (Adopted March 2021), as Amended May 2021 * †			
10.6	Executive Bonus Plan * †			
10.11.5	Form of Amended and Restated Key Executive Employment and Severance Agreement (Adopted May 2021) * †			
31.1	Certification of CEO under Section 302 of Sarbanes-Oxley Act of 2002 †			
31.2	Certification of CFO under Section 302 of Sarbanes-Oxley Act of 2002 †			
32	Certification of CEO and CFO under Section 906 of Sarbanes-Oxley Act of 2002 (as indicated in Item 6 of Part II, this Exhibit is not being “filed”) ††			
99	Risk Factors included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020, as supplemented by Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, and through updating of various statistical and other information †			
101.INS	Inline XBRL Instance Document			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Denotes a management contract or compensatory plan.
† Filed herewith.
†† Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on May 5, 2021.

MGIC INVESTMENT CORPORATION

/s/ Nathaniel H. Colson
Nathaniel H. Colson
Executive Vice President and
Chief Financial Officer

/s/ Julie K. Sperber
Julie K. Sperber
Vice President, Controller and Chief Accounting Officer

The 2021 bonus plan for our executive officers determines bonuses by the extent to which three financial performance goals and various business performance objectives are met.

Threshold, target and maximum performance achievement levels have been established for each financial performance goal and each financial performance goal is assigned a percentage weight. A percentage for each financial performance goal is calculated based on the company's achievement against the goal. That percentage is multiplied by the weight for that goal. The individual financial performance goals, as generally described, and their weightings are: ROE (calculated as adjusted net operating income divided by beginning shareholders' equity excluding Accumulated Other Comprehensive Income (Loss)) (45%); new insurance written (15%), except that new insurance written during any month is included only to the extent such volume is projected to generate, as of such month in which it is written, a lifetime return, including the effects of quota share reinsurance, that exceeds a hurdle rate; and insurance in force (15%).

Performance against the business objectives is assigned a percentage in the aggregate, which is multiplied by 25%. The subjects addressed by the business performance objectives are: transforming our business operations through digital, data-driven processes; certain ESG considerations; and ensuring we have the appropriate amount and form of capital to support our strategies and meet the needs of our stakeholders.

The resulting percentages for achievement against the financial performance goals and the business objectives are added. The resulting pay-out, if any, can range from threshold, which is 50% of target, to maximum, which is 200% of target. The Committee has discretion to decrease by as much as 10 percentage points or increase by as much as 10 percentage points the resulting percentage (the "Bonus Pool Percentage"), but the Bonus Pool Percentage will not exceed maximum.

RESTRICTED STOCK UNIT AGREEMENT
As Amended May 5, 2021

THIS RESTRICTED STOCK UNIT AGREEMENT (the "**Agreement**") is made and entered into as of March 1, 2021 (the "**Effective Date**") by and between MGIC Investment Corporation, a Wisconsin corporation (the "**Company**"), and the employee of the Company or one of its subsidiaries (individually or collectively referred to as "**MGIC**"), whose signature is set forth on the signature page hereto (the "**Employee**"). Capitalized terms not specifically defined in this Agreement shall have the meanings specified in **Exhibit A** to this Agreement or the MGIC Investment Corporation 2020 Omnibus Incentive Plan (the "**Plan**").

1. Award of RSUs. Subject to the terms and conditions of this Agreement and the Plan, as of the date hereof, the Company awards to the Employee restricted stock units ("**RSUs**") in an amount set forth in a document delivered to the Employee by MGIC in March 2021 to notify the Employee of the award of RSUs. If there is any difference between the number of RSUs determined by (i) such document and (ii) the number of RSUs awarded by the Committee, as reflected in the records of the Committee, the number of RSUs reflected in the records of the Committee (the "**Number of RSUs Granted**") shall control.

2. Release Date; Number of RSUs Released.

(a) If the Release Date has not been accelerated pursuant to Section 4 or Section 10, the "**Release Date**" shall be determined as follows.

(i) The Release Date shall be March 10, 2024, *provided that* the Committee has approved the Vesting Percentage within a reasonable time prior thereto.

(ii) If the Committee has not approved the Vesting Percentage within a reasonable time prior to March 10, 2024, then the Committee shall approve the Vesting Percentage and Release Date no later than March 31, 2024 and the Release Date shall occur reasonably promptly (but in no event more than 15 days) after the Vesting Percentage and Release Date are approved.

(ii) In any case, if the Release Date would fall on a day other than a Business Day, then the Release Date shall occur on the next following Business Day.

(b) Except to the extent forfeited as provided in this Agreement, and subject to withholding of shares of Stock to meet withholding obligations, on or reasonably promptly after the Release Date, RSUs shall be settled by the issuance (or transfer from treasury) of shares of Stock equal to the number determined in this Agreement. Such issuance or transfer may be accomplished by a credit into a direct registration account with the Company's transfer agent or by an electronic transfer of shares to an account maintained with a broker/dealer. Such issuance or transfer shall be made to the Employee, or in the case of the Employee's death, to the Employee's Beneficiary or estate, as provided in Section 6.

(c) Unless provided otherwise in this Agreement, the number of RSUs for which a Release Date will occur shall be the product of (i) the Number of RSUs Granted and (ii) the Vesting Percentage. Such number of RSUs shall be rounded down to the nearest whole RSU.

3. Transfer After Release Date; Securities Law Restrictions; Holding Period.

(a) The Employee agrees and acknowledges with respect to any Stock delivered in settlement of RSUs that has not been registered under the Securities Act of 1933, as amended (the "1933 Act") and that, in the opinion of counsel to the Company, absent such registration cannot be publicly sold or otherwise disposed of, (i) the Employee will not sell or otherwise dispose of such Stock except pursuant to an effective registration statement under the 1933 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 may be placed on the certificates or other evidence for the Stock delivered in settlement of the RSUs to such effect.

(b) The Employee agrees that, during the Holding Period, the Employee will not make a Sale of the Holding Period Shares. At the option of the Company, an appropriate legend may be placed on certificates or other evidence for Stock delivered in settlement of RSUs noting the requirements to hold such Stock imposed by this subsection. When such requirements terminate, the Employee shall be entitled to have the foregoing legend removed.

4. Termination of Employment Due to Death or Disability.

(a) If the Employee's employment with MGIC is terminated because of death prior to the Release Date, the Release Date for the Number of RSUs Granted shall accelerate and shall occur as soon as reasonably practicable after such death.

(b) If the Employee's employment with MGIC is terminated because of Disability prior to the Release Date, the Release Date for the Number of RSUs Granted shall be determined as provided in Section 2 as if the Employee's employment had not terminated, however, upon the Employee's death prior to the Release Date, the provisions of subsection (a) shall apply as if the Employee's employment with MGIC terminated because of such death.

5. Forfeiture of RSUs; Termination of Employment Due to Retirement.

(a) If the Employee's employment with MGIC is terminated prior to the Release Date for any reason (including without limitation, termination by MGIC, with or without cause) other than death or Disability, all RSUs shall be forfeited to the Company on the date of such termination unless otherwise provided in subsection (b) below, or unless the Committee determines, on such terms and conditions as the Committee may impose, that the Release Date shall be determined as provided in Section 2 as if the Employee's employment had not terminated.

(b) If the Employee's employment with MGIC terminates by reason of retirement after reaching age 62 and after having been employed by MGIC for an aggregate period of at least seven years, such retirement shall not result in forfeiture of the RSUs if (i) the Employee's employment with MGIC continues for no less than one year after the date of this Agreement, and (ii) no later than the date on which employment terminates, the Employee enters into an agreement with MGIC in the form provided by the Company to the Employee under which the Employee agrees not to compete with MGIC during a period ending one year after the Release Date (or for residents of certain states, a confidentiality and fair competition agreement), and the Employee complies with such agreement. If the Employee enters into such agreement and thereafter breaches the terms thereof, the RSUs shall be forfeited; the Employee shall return to the Company any Stock that was delivered to the Employee after the date on which such agreement was entered into; and MGIC may seek other remedies as contemplated in such agreement. If the Employee enters into and complies with the terms of such agreement, the Release Date shall be determined as provided in Section 2, however, upon the Employee's death or Disability prior to the Release Date, the provisions of Section 4 shall apply as if the Employee's employment with MGIC terminated because of such death or Disability, as applicable.

(c) Any RSUs for which a Release Date has not occurred by April 15, 2024 shall be forfeited to the Company.

6. Beneficiary.

(a) The Beneficiary shall be entitled to receive the Stock to be delivered in settlement of RSUs under Section 4 as a result of the death of the Employee. The Employee may from time to time revoke or change his or her Beneficiary without the consent of any prior Beneficiary by making a new designation in the Beneficiary System. The last such designation made shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Beneficiary System prior to the Employee's death, and in no event shall any designation be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of an Employee's death, or if no designated Beneficiary survives the Employee or if such designation conflicts with law, upon the death of the Employee, the Employee's estate shall be entitled to receive the Stock to be delivered in settlement of RSUs. If the Company is in doubt as to the right of any person to receive such property, the Company may retain the same and any distributions thereon, without liability for any interest thereon, until the Company determines the person entitled thereto, or the Company may deliver such property and any distributions thereon to any court of appropriate jurisdiction and such delivery shall be a complete discharge of the liability of the Company therefor.

7. Voting, Dividend and Other Rights of RSUs.

(a) Voting and Other Rights of RSUs. RSUs represent only the right to receive Stock, on the terms provided in this Agreement. The Employee shall have no rights as a holder of Stock, including the right to vote or to receive dividends, until evidence for such Stock is delivered in settlement of RSUs.

(b) Dividend Rights. Notwithstanding the preceding subsection, on the Release Date on which RSUs are settled (or on the earliest regular payroll date thereafter on which practicable), the Company shall make a payment in cash equal to the aggregate amount that would have been paid as dividends on the shares of Stock issued or transferred in settlement (before any reduction for tax withholding) as if such shares had been outstanding on each dividend record date on and after the Effective Date and prior to the date on which settlement occurs.

8. Tax Withholding.

(a) It shall be a condition of the obligation of the Company to deliver Stock in settlement of RSUs that the Employee shall pay MGIC upon its demand, such amount as may be requested by MGIC 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 RSUs or the delivery of Stock in settlement of the RSUs. The withholding tax obligation arising from the settlement of RSUs shall be satisfied through a withholding by the Company of a sufficient number of shares of Stock that would otherwise be delivered to the Employee.

(b) To the extent provided in the resolutions of the Committee awarding RSUs subject to this Agreement, and subject to applicable law and accounting rules, the Employee shall be entitled to have a number of shares of Stock withheld in excess of the minimum amount required to be withheld by MGIC.

9. Adjustments in Event of Change in Stock or Fiscal Year. In the event of any stock split, reverse stock split, stock dividend, combination or reclassification of the Stock that occurs after the date of this Agreement but before the Release Date, the number of RSUs shall be proportionally adjusted for any increase or decrease in the number of outstanding shares resulting from such event, any such adjustment rounded down to the next lower whole share. In the event of any change in the outstanding shares of Stock for any other reason, including but not limited to, any recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event which, in the judgment of the Committee, could distort the implementation of the award of RSUs or the realization of the objectives of such award, the Committee shall make such adjustments in the RSUs, or in the terms, conditions or restrictions of this Agreement as the Committee deems equitable. In addition, if the Company changes its fiscal year from a year ending December 31, the Committee may make such adjustments in the Release Date as the Committee deems equitable. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Agreement.

10. Change in Control. The provisions of Section 6 of the Plan that are applicable to restricted stock units shall apply to the RSUs. Neither the immediately preceding sentence nor the provisions of such Section 6 shall affect any vesting that occurs under Sections 3(d) and 5(i) of the Key Executive Employment and Severance Agreement (filed by the Company with the Securities and Exchange Commission with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021).

11. Powers of Company Not Affected; No Right to Continued Employment.

(a) The existence of the RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting any property to be issued in settlement of RSUs 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.

(b) Nothing in this Agreement shall confer upon the Employee any right to continue in the employment of MGIC or interfere with or limit in any way the right of MGIC to terminate the Employee's employment at any time, subject, however, to the provisions of any agreement of employment between MGIC and the Employee. The Employee acknowledges that a termination of his or her employment could occur at a time before which the Release Date occurs, resulting in the forfeiture of the RSUs by the Employee, unless otherwise provided in this Agreement. In such event, the Employee will not be able to realize the value of the property that underlies the RSUs nor will the Employee be entitled to any compensation on account of such value.

12. 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 RSUs.

13. Clawback. (a) If and to the extent the Committee deems it appropriate for such payment to be made, each Covered Employee shall pay MGIC an amount equal to the Excess Compensation. If the Excess Compensation is related to Income from a Release Date and if the Covered Employee continues to hold the shares of Stock received in connection with such Income, then to the extent allowed by the Committee, such Excess Compensation may be paid to MGIC by surrendering to the Company a number of shares of Stock equal to the amount of Excess Compensation divided by the Fair Market Value on the day prior to the payment date.

(b) The interpretation of this Section 13 and all computations under it shall be made by the Committee and shall not be reviewable or subject to challenge by any other person.

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 RSUs shall be deemed to have been awarded pursuant to the Plan and the action of the Committee authorizing such awards; as a result, such awards are subject to the terms and conditions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan or such authorization, the provisions of the Plan (to such extent) and/or such authorization shall prevail. A copy of the Plan is available on request of the Employee made in writing (including by e-mail) to the Company's Secretary.

(d) Any notice, filing or delivery hereunder or with respect to RSUs shall be given to the Employee at either his or her usual work location or his or her 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 prepaid, 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 RSUs or any interest in any RSUs.

(f) As a condition to the grant of the RSUs, the Employee must execute an agreement not to compete (or for residents of certain states, a confidentiality and fair competition agreement) in the form provided to the Employee by the Company. If the Employee thereafter breaches the terms thereof, the RSUs shall be forfeited; the Employee shall return to the Company any Stock that was delivered to the Employee after the date on which such agreement was entered into; and MGIC may seek other remedies as contemplated in such agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized signer, and the Employee has executed this Agreement, all as of the day and year set forth above.

MGIC INVESTMENT CORPORATION

By: ________________
Title: Authorized Signer

Sign Here: ________________

Name:___

Beneficiary Name:

Address of Beneficiary:

EXHIBIT A
Certain Defined Terms

"**Adjusted Book Value Per Share**" as of a particular year-end means the Preliminary Adjusted Book Value Per Share, adjusted to eliminate: (i) the net of tax effect on book value per share resulting from repurchases of convertible debt; and (ii) the effect on book value per share resulting from any repurchase of Stock, except that for shares repurchased that do not exceed the number of shares issued in a repurchase of convertible debt, the change shall be limited to the difference between the average share repurchase price and the average value under GAAP of the shares issued in the repurchase.

"**Affected Date**" means (i) each Release Date on which, had a Financial Restatement that was made after such Release Date been in effect at such Release Date, the number of shares of Stock delivered in settlement of RSUs would have been lower, and (ii) each Payment Date on which, had a Financial Restatement that was made after such Payment Date been in effect at such Payment Date, the amount of cash paid on account of incentive compensation would have been lower.

"**Beginning Adjusted Book Value Per Share**" means $[_____].

"**Beneficiary**" means the person(s) who at the time of the Employee's death is designated as such in the Beneficiary System in accordance with Section 6.

"**Beneficiary System**" means the Company's Shareworks portal, or any system used by the Company for purposes of allowing the Employee to designate a Beneficiary in connection with RSUs.

"**Business Day**" means a day that the Company and its transfer agent are open for business.

"**Committee**" means the Management Development, Nominating and Governance Committee of the Company's Board of Directors, or one or more members of such committee to whom such committee delegates specified functions, or another committee of such Board administering the Plan.

"**Covered Employee**" means a current or former employee of MGIC who was a Section 16 Filer at an Affected Date regardless of whether such employee ceased to be a Section 16 Filer thereafter.

"**Cumulative Growth**" means with respect to the RSU Release Date, the Adjusted Book Value Per Share at the end of the immediately prior fiscal year of the Company minus the Beginning Adjusted Book Value Per Share. If such difference is less than zero, then the Cumulative Growth shall be equal to zero.

"**Cumulative Growth Achievement Percentage**" means the quotient of (A) the Cumulative Growth divided by (B) the Cumulative Adjusted Book Value Per Share Growth Target.

"**Disability**" means the Employee is eligible for disability benefits under MGIC's long-term disability plan or eligible for Social Security disability benefits.

"**Excess Compensation**" means (i) the difference between the Income that was recognized by the Covered Employee on an Affected Date and the Income that would have been recognized had the

Financial Restatement referred to in the definition of Affected Date then been in effect, plus (ii) the value of any income tax deduction or credit to which the Covered Employee is entitled on account of the payment to MGIC required by Section 13. The foregoing notwithstanding, Excess Compensation will be deemed to be zero for each Affected Date prior to the date on which Covered Employee was a Section 16 Filer.

"**Financial Restatement**" means any accounting restatement due to material noncompliance with any financial reporting requirement under the federal securities laws.

"**GAAP**" means generally accepted accounting principles in the United States.

"**Holding Period**" means a period beginning on the Release Date and ending on the earlier of (i) the first anniversary of the Release Date and (ii) the first date on which the Employee is no longer a Section 16 Filer.

"**Holding Period Shares**" means a number of shares of Stock equal to the lesser of (i) 25% of the aggregate number of RSUs that are released on the Release Date and (ii) 50% of the difference between (A) the aggregate number of RSUs that are released on the Release Date and (B) the aggregate number of shares of Stock that are withheld to satisfy withholding tax requirements under Sections 8(c) and (d) of this Agreement.

"**Income**" means income determined for federal income tax purposes minus the amount of federal, state and local income taxes and, to the extent applicable, the employee portion of Social Security and Medicaid payroll taxes, payable on account of such income. The amount of federal, state and local income taxes and the value of any deduction or credit contemplated by clause (ii) in the definition of Excess Compensation shall be computed by assuming that Income is taxed at the highest marginal rate, with such rate for any state and local income taxes appropriately adjusted to reflect the benefit of an itemized federal deduction for such taxes (if in the case of local taxes, such taxes are eligible for such a deduction), which adjustment shall be made by assuming that no reduction in such deduction on account of the Covered Employee's adjusted gross income applies.

"**Number of RSUs Granted**" shall have the meaning given to that term in Section 1 of this Agreement.

"**Payment Date**" means the date on which cash incentive compensation is paid.

"**Preliminary Adjusted Book Value**" as of a particular year-end means the shareholders' equity calculated in accordance with GAAP and reported in the Company's balance sheet in the Annual Report on Form 10-K, adjusted as follows: (i) to eliminate the accumulated other comprehensive income (loss) reflected on the GAAP balance sheet; (ii) to eliminate dividends paid to the common stockholders of the Company and dividend-equivalents paid in connection with employee and director equity compensation and (iii) with respect to litigation accruals and payments, to eliminate the net of tax impact to shareholders' equity related to the establishment of an accrual, an increase in an accrual or payment for unaccrued litigation items that have been disclosed in the Company's Annual Report on Form 10-K, unless the Committee determines to include such amounts in whole or in part because the exercise of such discretion will result in a lower Adjusted Book Value; and if a decrease in an accrual results in an increase to shareholders' equity, the Committee may determine to eliminate in whole or in part the net of tax impact of such decrease in the accrual.

“**Preliminary Adjusted Book Value Per Share**” as of a particular year-end means the quotient of (i) the Preliminary Adjusted Book Value at such year-end divided by (ii) the number of shares of Stock outstanding at such year-end as disclosed in the Company’s Annual Report on Form 10-K.

“**Sale**” means a transfer for value, except that for these purposes, the following are not “Sales”: (i) an involuntary transfer, including Holding Period Shares converted in a merger; and (ii) a gift, (provided that, in the case of a gift to a family member who resides with the Employee or to an entity in which the Employee has an interest, such family member or entity does not make a Sale for the remainder of the Holding Period).

“**Section 16 Filer**” is a person who is required to file reports with the Securities and Exchange Commission under Section 16(a) of the Securities Exchange Act of 1934, as amended, as such requirement to so file is in effect at each Affected Date for purposes of Section 13 of this Agreement, or at each Release Date for purposes of Section 3(b) of this Agreement.

“**Stock**” means the Company’s common stock.

“**Vesting Percentage**” means the Percentage as determined based on the Cumulative Growth in the table below:

Performance Level	**Cumulative Growth**	**Vesting Percentage**(1)
Below Threshold	Less than $[_____]	0%
Threshold	$[_____]	25%
Target	$[_____]	100%
Maximum	Greater than or equal to $[_____]	200%

(1) If the Cumulative Growth falls between the threshold and target performance levels, or the target and maximum performance levels, then the Vesting Percentage will be the percentage derived by straight line interpolation between the applicable Vesting Percentages shown in the table.

AMENDED AND RESTATED KEY EXECUTIVE EMPLOYMENT AND SEVERANCE AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT (this “Agreement”) is made and entered into as of May 5, 2021, 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”).

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, the Executive’s services are valuable to the conduct of the business of the Company and the Executive has acquired certain confidential information and data with respect to the Company;

WHEREAS, the Company desires to continue to attract and retain dedicated and skilled management employees and to protect its confidential information and goodwill;

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 desire 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; and

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.

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. <u>Definitions</u>. Capitalized terms used in this Agreement shall have the meanings given to them in the Appendix.

2. <u>Termination of Employment Prior to Change in Control</u>.

(a) Subject to Subsection 2(b), 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. Subject to Subsection 2(b), in the event the Executive’s employment is terminated prior to a Change in Control, 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 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 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 had taken steps reasonably calculated to effect a Change in Control or (ii) was by the Executive for Good Reason or was by the Employer for other than Cause and otherwise arose in connection with or in anticipation of a Change in Control, 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 in Control for purposes of this Agreement.

3. Employment Period Following a Change in Control; Effect of Change in Control on Existing Equity-Based Awards.

(a) Continued Employment. If a Change in Control occurs when the Executive is employed by the Employer, 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. The foregoing notwithstanding, an Executive may terminate his or her employment for any or no reason during the Employment Period. Payments under this Agreement upon a voluntary termination of employment by the Executive other than for Good Reason shall be as provided in Section 4. Any Termination of Employment of the Executive during the Employment Period, whether by the Company or the Employer, shall be deemed a Termination of Employment by the Company for purposes of this Agreement.

(b) Duties. During the Employment Period, the Executive (i) 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 (ii) shall be entitled to materially the same job function as held by the Executive at the time of the Change in Control or 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 (excluding any remote work arrangement), 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.

(c) Compensation. During the Employment Period, the Executive shall be compensated as follows:

(i) Salary. 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, 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, or if prior to the Change in Control, the Employer had approved an increase in such base salary to take effect after the Change in Control, at such higher rate beginning on the date on which such increase was to take effect (determined prior to any reduction for amounts deferred under Section 401(k) of the Code or otherwise, or deducted pursuant to a cafeteria plan or qualified transportation benefit under Sections 125 and 132(f) of the Code). During the Employment Period, the Compensation Committee 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, good faith consideration shall be given to the upward adjustment of the Executive's annual base salary, annually (such annual base salary amount as adjusted upward from time to time is hereafter referred to as the “Annual Base Salary”).

(ii)Expense Reimbursement. 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, 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.

(iii)Fringe Benefits.

(1) 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), 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, pension, and profit sharing.

(2) 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, supplemental retirement, 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 and equity-based compensation plans shall be determined by Subsections 3(c)(v) and (vi), respectively.

(3) The aggregate annual value of the benefits made available to the Executive pursuant to this Subsection 3(c)(iii) shall be substantially similar to the highest aggregate annual value of the benefits of the type referred to in such Subsection that were made available to the Executive at any time during the 90-day period immediately prior to the Change in Control.

(iv)Paid Time Off. The Executive shall annually be entitled to not less than the amount of paid time off 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.

(v)Bonus.

(1) 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 and the role of the Executive 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 (whether one or

more, the “Pre-Change Bonus Plan”) and in view of the Employer’s existing and projected financial and business circumstances applicable at the time such goals for the Pre-Change Bonus Plan were set.

(2) The target and maximum bonus opportunities (the “Bonus Opportunities”) that the Executive is eligible to earn under the Post-Change Bonus Plan, corresponding to the target and maximum Goals, shall be no less than the Bonus Opportunities the Executive was eligible to earn under the Pre-Change Bonus Plan. The Bonus Opportunities earned shall be paid in cash within 75 days after the end of the related fiscal year.

(vi)Equity Awards. The Executive shall be entitled to receive annual grants of Equity Awards (the “Post-Change Equity Awards”) that are as favorable to the Executive as the more favorable of the Equity Awards granted to the Executive in either the year of, or the year immediately preceding, the Change in Control, with respect to the grant date fair value of such awards and the length of vesting periods of such awards, provided that such Post-Change Equity Awards may be offset by value provided through increases to another pay element. In addition, the Post-Change Equity Awards shall either (i) relate to, and be settled in, a class of equity that is listed and traded on a national securities exchange, or (ii) be settled in cash, in either case, such settlement to be within 75 days of the end of the applicable vesting or performance period. For purposes hereof, unless associated with a promotion, any grants made prior to a Change in Control that are designated as special or non-recurring awards shall not be considered in determining the Post-Change Equity Awards.

(d) Effect of Change in Control on Existing Equity Awards. Upon a Change in Control, unless a more favorable result for the Executive is provided under the applicable equity-based incentive plan document or award agreement, then:

(i)If the Compensation Committee reasonably determines in good faith prior to the occurrence of a Change in Control that each Equity Award then held by the Executive shall be assumed, or new rights substituted therefor, in each case by means of an Alternative Award, by the Executive’s employer (or the parent or a subsidiary of such employer) immediately following the Change in Control, then any Equity Awards then held by the Executive shall be converted to Alternative Awards as of the occurrence of such Change in Control.

(ii)To the extent clause (i) does not apply, upon the occurrence of a Change in Control:

(1) All outstanding options to purchase shares of the Company’s common stock (“Options”) (regardless of whether in tandem with stock appreciation rights relating to shares of the Company’s common stock (“SARs”)) then held by the Executive shall become fully vested and exercisable.

(2) All outstanding SARs (regardless of whether in tandem with Options) then held by the Executive shall become fully vested and exercisable.

(3) All outstanding restricted shares of the Company’s common stock or restricted stock units relating to the Company’s common stock:

(a) that vest without reference to the extent to which one or more performance goals are attained shall become fully vested;

(b) that vest with respect to the extent to which performance goals have been achieved shall become vested in an amount calculated by assuming that performance goals have been achieved equal to the greater of (x) target performance (if no target performance was specified in the granting document, then target performance shall be the probable outcome that was assumed in determining the grant date fair value of such Equity Awards), (y) performance as measured through the date of the Change in Control, with the total performance goal adjusted to reflect the portion of the performance period that has lapsed through the date of the Change in Control, or (z) the most recently forecasted performance through the end of the performance period.

4. Payments Upon 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 10), then the Executive shall be entitled to receive only Accrued Benefits pursuant to Subsection 6(a).

5. Payments Upon Termination Giving Rise to a Termination Payment. 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 9 hereof, or (iii) Cause (any such terminations to be subject to the procedures set forth in Section 10 hereof), then the Executive shall be entitled to receive, and the Company shall pay or provide, as applicable:

(a) Accrued Benefits pursuant to Subsection 6(a).

(b) Prorated bonus pursuant to Subsection 6(b).

(c) The Termination Payment pursuant to Subsection 6(c) as liquidated damages and additional severance pay and in consideration of the covenant of the Executive set forth in Subsection 11(a).

(d) The Executive shall receive until the end of the second calendar year following the calendar year in which the Executive's Termination of Employment occurs, at the expense of the Company, outplacement services, on an individualized basis at a level of service commensurate with the Executive's status with the Company immediately prior to the date of the Change in Control (or, if higher, immediately prior to the Executive's Termination of Employment), provided by a nationally recognized executive placement firm selected by the Company; provided that the cost to the Company of such services shall not exceed 10% of the Executive's Annual Base Salary.

(e) Until the earlier of (x) the end of a period of 24 months following the Termination Date or (y) such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the expense of the Company, by the same or equivalent life insurance, hospitalization, medical and dental coverage as was required hereunder with respect to the Executive immediately prior to the date the Notice of Termination is given, subject to the following:

(i)If applicable, following the end of the COBRA continuation period, if such hospitalization, medical or dental coverage is provided under a health plan that is subject to

Section 105(h) of the Code, benefits payable under such health plan shall comply with the requirements of Treasury regulation section 1.409A-3(i)(1)(iv)(A) and (B) and, if necessary, the Company shall amend such health plan to comply therewith.

(ii)During the first six months following the Executive's Termination Date, the Executive shall pay the Company for any life insurance coverage that provides a benefit in excess of $50,000 under a group term life insurance policy. After the end of such six month period, the Company shall make a cash payment to the Executive equal to the aggregate premiums paid by the Executive for such coverage, and thereafter such coverage shall be provided at the expense of the Company for the remainder of the period.

(iii)If the Executive is entitled to the Termination Payment pursuant to Subsection 2(b), within ten days following the Change in Control, the Company shall reimburse the Executive for any COBRA premiums the Executive paid for his or her hospitalization, medical and dental coverage under COBRA from the Executive's Termination Date through the date of the Change in Control.

(f) 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").

(g) 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.

(h) 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 6(c).

(i) Unless a more favorable result for the Executive is provided under the applicable equity-based incentive plan document or award agreement, Equity Awards shall be treated as follows:

(i)All outstanding stock options (regardless of whether in tandem with stock appreciation rights) then held by the Executive shall become fully vested and exercisable as of the Termination Date.

(ii)All outstanding stock appreciation rights (regardless of whether in tandem with stock options) then held by the Executive shall become fully vested and exercisable as of the Termination Date.

(iii)All outstanding shares of restricted stock or restricted stock units:

(1) that, as determined as of immediately prior to the Termination Date, vest without reference to the extent to which one or more performance goals are attained shall become fully vested as of the Termination Date;

(2) that, as determined as of immediately prior to the Termination Date, vest with respect to the extent to which performance goals have been achieved shall become vested in an amount calculated by assuming that performance goals have been achieved equal to the greater of (x) target performance (if no target performance was specified in the granting document, then target performance shall be the probable outcome that was assumed in determining the grant date fair value of such Equity Awards), (y) performance as measured through the Termination Date, with the total performance goal adjusted to reflect the portion of the performance period that has lapsed through the Termination Date, or (z) the most recently forecasted performance through the end of the performance period.

6. Payment Amounts.

(a) Accrued Benefits. For purposes of this Agreement, the Executive's "Accrued Benefits" shall include the following amounts, payable as described herein: (i) all unpaid 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) 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. Payment of Accrued Benefits shall be made promptly in accordance with the Company's prevailing practice with respect to Subsections 6(a)(i) and (ii) or, with respect to Subsections 6(a) (iii) and (iv), pursuant to the terms of the benefit plan or practice establishing such benefits.

(b) Prorated Bonus. If there is a Covered Termination described in Section 5, the Executive shall be paid a lump sum payment, subject to any deferral election, 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 plans in which the Executive is a participant, pro-rated to reflect any partial year of service and calculated on the basis of the greater of (I) performance as measured through the Termination Date with the total performance goal adjusted to reflect the portion of the performance period that has lapsed through the date of the Termination Date, or (II) the most recently forecasted performance through the end of the performance period.

(c) Termination Payment.

(i)The Termination Payment shall be an amount equal to two times the sum of (A) the Executive's Annual Base Salary (as determined as of the time of the Change in Control or, if higher, immediately prior to the date the Notice of Termination is given); (B) an amount equal to the greater of (v) the Executive's targeted bonus for the year in which the Termination Date occurs; (w) the bonus the Executive received for the year in which the Change in Control occurred or (x) the bonus the Executive received for the year prior to the year in which the Change in Control occurred (each year described in clauses (w) and (x) is herein referred to as a "Prior Year"); and (C) the dollar value of the accruals that were or would have been credited to the Executive's accounts 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; 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.

The Termination Payment shall be paid to the Executive in cash equivalent in two lump sums if any stock of the Company or any Affiliate is publicly traded on an established securities market or otherwise at the time of the Executive's Termination of Employment. The first lump sum shall be paid within ten (10) business days after the Executive's Termination Date and shall equal two times the lesser of (y) the Executive's annualized compensation based upon the annual rate of pay for services provided to the Company for the taxable year of the Executive preceding the taxable year in which the Executive has a Termination of Employment or (z) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Executive has a Termination of Employment, but in no case shall such first lump sum exceed the Termination Payment amount. The second lump sum payment shall be equal to the difference between the Termination Payment amount and the amount of the first lump sum, and such amount shall be paid six months and one day after the Executive's Termination Date. Each lump sum payment shall be deemed a separate payment for purposes of Code Section 409A. If the Company or any Affiliate has no publicly traded stock, as described above, at the Executive's Termination of Employment, then the entire Termination Payment shall be paid within ten (10) business days after the Executive's Termination Date. Any Termination Payment amount paid six months and one day after the Executive's Termination Date shall be accompanied by a payment of interest calculated at Prime, compounded quarterly. Notwithstanding the foregoing, in the event the Executive's Termination Date is pursuant to Subsection 2(b), the Termination Payment shall be paid within ten (10) business days after the date of the Change in Control (as defined without reference to Subsection 2(b)), without interest. The Termination Payment shall not be reduced by any present value or similar factor, and the Executive shall not be required to mitigate the amount of the Termination Payment by securing other employment or otherwise, nor will such Termination Payment be reduced by reason of the Executive securing other employment or for any other reason. The Termination Payment shall be in lieu of, and acceptance by the Executive of the Termination Payment shall constitute the Executive's release of any rights of Executive to, any other severance payments under any Company severance policy, practice or agreement.

(ii)In the event that the Company's auditors or tax advisors determine that any portion of any payment or benefit 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 Equity-Based Awards (the "Total Payments") would constitute an Excess Parachute Payment, and would, but for this Subsection 6(c)(ii), result in the imposition on the Executive of an excise tax under Code Section 4999 (the "Excise Tax"), then the aggregate present value of the Total Payments to the Executive shall be reduced (but not below zero) to the amount, expressed as a present value, that maximizes the aggregate present value of the Total Payments without causing any portion of the Total Payment to be subject to the Excise Tax (the "Reduced Amount"); provided that the foregoing reduction in the Total Payments shall not apply if the after-tax value to the Executive of the Total Payments prior to reduction in accordance herewith is greater than the after-tax value to the Executive if the Total Payments are reduced in accordance herewith, with the Executive responsible to pay his or her Excise Tax.

For purposes of the calculations required pursuant to this Subsection 6(c), the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation (including, for the avoidance of doubt, the tax imposed by Code Section 4999 to the extent applicable) on the date on which the applicable payment is 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 on which the applicable 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.

Any reduction in Total Payments required by Section 6(c) shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the higher ratio of the Parachute Payment value to present economic value (determined using reasonable actuarial assumptions) shall be reduced or eliminated before a payment or benefit with a lower ratio; (2) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (3) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate Code Section 409A, then the reduction shall be made in whatever manner complies with Code Section 409A.

(iii)Clause (ii) of this Subsection 6(c) shall be amended to comply with any amendment or successor provision to Sections 280G or 4999 of the Code. If such provisions are repealed without successor, then clause (ii) of this Subsection 6(c) shall be cancelled without further effect.

(iv)Executive agrees that this Agreement and any other agreements which may give rise to any Section 409A Tax may be amended by the Company on one or more occasions without the consent or approval of the Executive if in the determination of the Compensation Committee such amendment is necessary or appropriate to conform the provisions of such agreement to Treasury Regulation 1.409A-1 et seq. or any position published by the Internal Revenue Service with respect to Section 409A of the Code. The right of the Company to make such an amendment does not depend on whether the applicable agreement is subject to such Section but will enable the Company to have uniform provisions among all agreements having provisions such as the one being amended, including those under which compensation is subject to such Section. Any such amendment will become effective upon notice to the Executive. The Company will seek to give the Executive notice of an amendment with reasonable promptness after the Compensation Committee has approved the amendment.

7. Death.

(a) Except as provided in Subsection 7(b), 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 other than by reason of Disability or Cause, or (ii) by the Executive for Good Reason, the Executive's estate, heirs and beneficiaries shall be entitled to the benefits described in Subsection 7(a); a prorated bonus described in Subsection 6(b); and, subject to the provisions of this Agreement, to such Termination Payment as the Executive would have been entitled to had the Executive lived, except that the Termination Payment shall be paid within 90 days following the date of the Executive's death, without interest thereon. In addition, the Company shall cause the Executive to be fully and immediately vested in his or her accrued benefit under the SERP; 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's estate 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; and the Executive's Equity Awards shall be settled as provided in Section 5(i). For purposes of this Subsection 7(b), the Termination Date shall be the earlier of thirty days following the giving of the Notice of Termination, subject to extension pursuant to the definition of Termination of Employment, or one day prior to the end of the Employment Period.

8. [Intentionally Omitted]

9. Termination for Disability. If, during the Employment Period, as a result of the Executive's Disability, 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 10. 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 6(a), and prorated bonus in accordance with Subsection 6(b) 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.

10. 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)) 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 21:

(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 the definition of Termination Date, 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 (iii) of the definition of Cause.

(d) The recipient of any Notice of Termination shall personally deliver or mail in accordance with Section 21 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 without a dispute, the contents of the Notice of Termination shall become final and not subject to dispute.

11. Further Obligations of the Executive.

(a) Restrictive Covenants. The Executive agrees that, in the event of any Covered Termination where the Executive is entitled to the Termination Payment, the following separate and divisible covenants shall apply:

(i)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, directly or indirectly solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to the Executive's direct supervision or about whom the Executive received any confidential information, in either event during any part of the last year of the Executive's employment, to accept any employment, consulting, contracting or other confidential relationship with any Competitor;

(ii)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, solicit, for the purpose of selling Restricted Products/Services, any customer of the Company to whom the Company or its affiliates have sold or provided Restricted Products/Services during the Relevant Period, and with whom during the Relevant Period Executive had substantial contacts, or about whom during the Relevant Period Executive received Protected Information or Trade Secrets; and

(iii)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 or be employed by, in either event in any capacity in which Executive's knowledge of Protected Information or Trade Secrets or personal association with the goodwill of the Company would reasonably be considered useful, 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 11(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.

(i)General. During and for two years 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 Protected Information 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. Protected 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. Following the Executive's employment by the Company, the Executive shall not use or disclose any Trade Secret of the Company for any purpose for so long as the Trade Secret remains entitled to protection as a trade secret under applicable law.

(ii)Exceptions. Notwithstanding anything to the contrary in this Agreement:

(1) Nothing in this Agreement will prohibit, interfere with or discourage a good faith disclosure by Executive of any Protected Information to any governmental entity related to a suspected violation of the law.

(2) Executive will not be held criminally or civilly liable under any federal or state trade secret law for disclosing otherwise protected Trade Secrets and/or other Protected Information as long as the disclosure is made in (I) confidence to a federal, state, or local government official, directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (II) a complaint or other document filed in a lawsuit or other proceeding, as long as such filing is made under seal.

(3) The Company will not retaliate against Executive in any way for a disclosure made in accordance with applicable law.

(4) If Executive makes a disclosure of any Trade Secret or Protected Information in accordance with applicable law and Executive subsequently files a lawsuit against the Company alleging that the Company retaliated against the Executive because of its disclosure, the Executive may disclose such Trade Secret or Protected Information to the Executive's attorney and may use the same in the court proceeding only if (I) the Executive ensures that any court filing that includes the Trade Secret or Protected Information at issue is made under seal; and (II) the Executive does not otherwise disclose the Trade Secret or Protected Information except as required by court order.

12. Expenses and Interest. If, after a Change in Control, (i) a dispute arises with respect to the enforcement of the Executive's rights under this Agreement, (ii) any arbitration proceeding shall be brought to enforce or interpret any provision contained herein or to recover damages for breach hereof, or (iii) any legal proceeding shall be brought with respect to the arbitration provisions hereof, in each case so long as, and to the extent that, the Executive prevails in such proceeding, the Executive shall recover from the Company the reasonable attorneys' fees and necessary costs and disbursements incurred as a result of the dispute, arbitration or legal proceeding as to which the Executive has prevailed ("Expenses"), and prejudgment interest on any arbitration award obtained by the Executive calculated at Prime from the date that payments to him or her should have been made under this Agreement. Within ten days after the Executive's written request therefore (but in no event later than the end of the calendar year following the calendar year in which such Expense is incurred), the Company shall reimburse the Executive, or such other person or entity as the Executive may designate in writing to the

Company, the Expenses. Any dispute as to the reasonableness of the Expenses incurred, or the extent to which the Executive has prevailed, shall be resolved by the arbitrator.

13. 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 the Executive or anyone else. Except as provided in Subsection 6(c) and Section 12, 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.

14. 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; and "Employer" shall mean such Person or a subsidiary of 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 14(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 4, 5, 6, 7, 9 and 12 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, that expressly govern benefits under such plan in the event of the Executive's death.

15. 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.

16. Contents of Agreement; Waiver of Rights; Amendment. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof, and the Executive hereby waives all rights under any prior or other agreement or understanding between the parties with respect to such subject matter. Any implication to the contrary in the preceding sentence notwithstanding, this Agreement shall not affect the Executive's obligations under non-competition or confidentiality agreement with the Company, the Employer or MGIC. This Agreement may not be amended or modified at any time except by written instrument executed by the Company and the Executive, provided, however, the Company may, on one or more occasions without the approval of the Executive, amend this Agreement with the approval of the Board to the extent the Company determines such amendment is necessary to comply with the provisions of the Emergency Economic Stabilization Act of 2008 or any regulation or program issued or established thereunder. Any such amendment will become effective upon notice to the Executive. The Company will seek to give the Executive notice of an amendment with reasonable promptness after the Board has approved the amendment.

17. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; provided that the amount so withheld shall not exceed the minimum amount required to be withheld by law. In addition, if prior to the date of payment of the Termination Payment hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due with respect to any payment or benefit to be provided hereunder, the Company may provide for an immediate payment of the amount needed to pay the Executive's portion of such tax (plus an amount equal to the taxes that will be due on such amount) and the Executive's Termination Payment shall be reduced accordingly. The Company shall be entitled to rely on an opinion of its tax advisor if any question as to the amount or requirement of any such withholding shall arise.

18. Additional Section 409A Provisions.

(a) If any payment amount or the value of any benefit under this Agreement is required to be included in an Executive's income prior to the date such amount is actually paid or the benefit provided as a result of the failure of this Agreement (or any other arrangement that is required to be aggregated with this Agreement under Code Section 409A) to comply with Code Section 409A, then the Executive shall receive a distribution, in a lump sum, within 90 days after the date it is finally determined that the Agreement (or such other arrangement that is required to be aggregated with this Agreement) fails to meet the requirements of Section 409A of the Code; such distribution shall equal the amount required to be included in the Executive's income as a result of such failure and shall reduce the amount of payments or benefits otherwise due hereunder.

(b) The Company and the Executive intend the terms of this Agreement to be in compliance with Section 409A of the Code. To the maximum extent permissible, any ambiguous terms of this Agreement shall be interpreted in a manner which avoids a violation of Section 409A of the Code and, subject to mutual written consent of the Executive and the Company, payments may be deferred hereunder to comply with Code Section 409A requirements.

(c) The Executive acknowledges that to avoid an additional tax on payments that may be payable or benefits that may be provided under this Agreement and that constitute deferred compensation that is not exempt from Section 409A of the Code, the Executive must make a reasonable, good faith effort to collect any payment or benefit to which the Executive believes the Executive is entitled hereunder no later than 90 days after the latest date upon which the payment could have been made or benefit provided under this Agreement, and if not paid or provided, must take further enforcement measures within one 180 days after such latest date.

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

20. 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.

21. Notice. Notices given pursuant to this Agreement shall be in writing and, except as otherwise provided by Subsection 10(d), shall be deemed given when actually received by the Executive or actually received by the Company's Secretary or the President of the Company other than the Executive. If mailed, such notices shall be mailed by United States registered or certified mail, return receipt requested, addressee only, postage prepaid, if to the Company, to MGIC Investment Corporation, Attention: Secretary (or President, if the Executive is the Secretary), 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202, or if to the Executive, at the address set forth below the Executive's signature to this Agreement, or to such other address as the party to be notified shall have theretofore given to the other party in writing.

22. 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.

23. 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:

Title:

EXECUTIVE

By: ______________________________

Name: ______________________________

Address: ______________________________

____

APPENDIX

DEFINITIONS

i. 409A Affiliate. Each entity that is required to be included in the Company's controlled group of corporations within the meaning of Section 414(b) of the Code, or that is under common control with the Company within the meaning of Section 414(c) of the Code; provided, however, that the phrase "at least 50%" shall be used in place of the phrase "at least 80%" each place it appears therein or in the regulations thereunder.

ii. Accrued Benefits. "Accrued Benefits" has the meaning given to it in Subsection 6(a).

iii. Act. The Securities Exchange Act of 1934, as amended.

iv. 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.

v. Alternative Award. To be considered an "Alternative Award," such award must

1. relate to a class of equity that is (or will be within 5 business days following the Change in Control) listed to trade on a recognized securities market;

2. provide the Executive with rights and entitlements substantially equivalent to or better than the rights and entitlements applicable under the replaced Equity Award, including, but not limited to, identical or better timing and methods of payment, including payment of accrued dividends and all provisions applicable in respect of such Equity Award that provide for accelerated vesting or continued vesting (in the case of Equity Awards that vest with respect to the extent to which performance goals have been achieved, if the Change in Control occurs during the course of the performance period applicable to the Equity Award, then (A) the performance goals shall be deemed to have been achieved at a level equal to the greater of (x) target performance (if no target performance was specified in the granting document, then target performance shall be the probable outcome that was assumed in determining the grant date fair value of such Equity Awards), (y) performance as measured through the date of the Change in Control, with the total performance goal adjusted to reflect the portion of the performance period that has lapsed through the date of the Change in Control, or (z) the most recently forecasted performance through the end of the performance period; and (B) any Alternative Award shall not include a performance objective);

3. have substantially equivalent economic value to the Equity Award (as determined by the Committee as constituted immediately prior to the Change in Control); and

4. have terms and conditions which provide that if the Executive's employment is terminated upon or within three years following such Change in Control by the Executive's employer other than for Cause or by the Executive for Good Reason, the Executive's rights under each such Alternative Award shall become fully vested and exercisable; provided, however, that with respect to any Equity Award that does not qualify for any applicable exemption from the application of Section 409A of the Code, the payment or distribution of the Alternative Award shall only be made at the time otherwise specified under the applicable plan or award agreement under which the Equity Award was granted without regard to the occurrence of the

Change in Control (including any six month delay in payment applicable to a “specified employee,” as determined in accordance with Section 409A of the Code)).

The economic value of existing performance-based Equity Awards shall be determined assuming the number of such Equity Awards that would have vested is based on the greater of (I) target performance (if no target performance was specified in the granting document, then target performance shall be the probable outcome that was assumed in determining the grant date fair value of the Equity Awards), (II) performance as measured through the date of the Change in Control, with the total performance goal adjusted to reflect the portion of the performance period that has lapsed through the date of the Change in Control, or (III) the most recently forecasted performance through the end of the performance period.

vi. Annual Base Salary. “Annual Base Salary” has the meaning given to it in Subsection 3(c)(i).

vii. Beneficial Owner. A Person shall be deemed to be the “Beneficial Owner” of any securities:

1. 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 a shareholder rights agreement that may be entered into by the Company from time to time, at any time before the issuance of such securities;

2. 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 (ii) 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

3. 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 (ii) above) or disposing of any voting securities of the Company.

viii. Bonus Opportunities. “ Bonus Opportunities” has the meaning given to it in Subsection 3(c)(5).

ix. Cause. “Cause” for termination by the Employer of the Executive’s employment shall, for purposes of this Agreement, be limited to (i) the engaging by the Executive in intentional conduct not taken in good faith which has caused demonstrable and serious financial injury to the Employer, as evidenced by a determination in a binding and final judgment, order or decree of a court or administrative agency of competent jurisdiction, in effect after exhaustion or lapse of all rights of appeal, in an action, suit or proceeding, whether civil, criminal, administrative or investigative; (ii) conviction of a felony (as evidenced by binding and final judgment, order or decree of a court of competent jurisdiction, in effect after exhaustion of all rights of appeal) which substantially impairs the Executive’s ability to perform his duties or responsibilities; and (iii) subject to the right to cure provided in Section 10(c), continuing willful and unreasonable refusal by the Executive to perform the Executive’s duties or responsibilities (unless significantly changed without the Executive’s consent).

x. Change in Control. The occurrence of any one of the following events with respect to the Company:

1. 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) an entity 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 January 1, 2020, pursuant to express authorization by the Board of Directors of the Company (the “Board”) that refers to this exception) representing more than 25% of the total fair market value of the common stock of the Company or representing more than 25% of the total voting power of the common stock of the Company; or

2. during any 12 consecutive month period, the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on January 1, 2020, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company), whose appointment or election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors on January 1, 2020, or whose initial appointment, election or nomination for election as a director which occurred after January 1, 2020 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 January 1, 2020 or initially appointed, elected or nominated by such majority vote as described above ad infinitum (collectively the “Continuing Directors”); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least a majority of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to

the Board to be Continuing Directors results in a Change in Control, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control occurred; or

3. a merger, consolidation or share exchange of the Company with any other entity 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 January 1, 2020, pursuant to express authorization by the Board that refers to this exception) representing at least 25% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

4. the consummation of a sale or disposition by the Company of all or substantially all of the Company's assets to a Person (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an Excluded Person or to an entity at least 75% of the total value or voting power of which is owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale. It is understood that in no event shall a sale or disposition of assets be considered to be a sale of substantially all of the assets unless the assets sold or disposed of have a total gross fair market value of at least 40% of the total gross fair market value of all of the Company's assets immediately prior to such sale or disposition.

xi. Code. The Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

xii. Company. Subject to Section 14(a), "Company" has the meaning given to it in the first paragraph of this Agreement.

xiii. Competitor. Any company (regardless of the form of its organization), including a proprietorship (i) engaged in or preparing to engage in the business of guaranteeing or insuring mortgages on property in the United States, Puerto Rico or Guam, or (ii) engaged in or preparing to engage in competition with any other business in which the Company or any Affiliate is engaged, in any state or territory of the United States in which the Company or any Affiliate is so engaged, but only if such business accounted for at least 10% of the revenues of the Company and its subsidiaries, on a consolidated basis, during the Relevant Period.

xiv.Compensation Committee. The Board of Directors of the Company, the Management Development, Nominating and Governance Committee thereof, another appropriate committee thereof or a committee composed of members of management of the Employer, in each case, in accordance with the Company's practice prior to the Change in Control with respect to executives of comparable position to the Executive.

xv.Covered Termination. Subject to Subsection 2(b), any Termination of Employment during the Employment Period where the Notice of Termination is delivered on, or the Termination Date is, any date prior to the end of the Employment Period.

xvi.Disability. "Disability" means the Executive is eligible for disability benefits under the Company's long-term disability plan or eligible for Social Security disability benefits.

xvii.Effective Date. The date shown on the first page of this Agreement as the effective date on which this Agreement was entered into.

xviii.Employment Period. Subject to Subsection 2(b), a period commencing on the date of a Change in Control and ending at 11:59 p.m. Central Time on the third anniversary of such date.

xix.Employer. Subject to Section 14(a), "Employer" has the meaning given to it in the first Recital of this Agreement.

xx.Equity Award. All options to purchase shares of Company common stock as well as any and all other stock-based awards granted to the Executive, including but not limited to restricted stock and restricted stock units, whether such units are settled in stock or cash.

xxi.Excess Parachute Payment. "Excess Parachute Payment" has the meaning assigned to it in Section 280G of the Code and shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 280G(d)(4) of the Code and the regulations thereunder (or any successor provisions thereto).

xxii.Excise Tax. "Excise Tax" has the meaning given to it in Subsection 6(c)(ii).

xxiii.Executive. "Executive" has the meaning given to it in the first paragraph of this Agreement.

xxiv.Expenses. "Expenses" has the meaning given to it in Section 12.

xxv.Goals. "Goals" has the meaning given to it in Subsection 3(c)(v).

xxvi.Good Reason. For purposes of this Agreement, the Executive shall have "Good Reason" for Termination of Employment in the event of:

1. A material diminution in the Executive's annual base salary;

2. A material diminution in the Executive's authority, duties, or responsibilities;

3. A change in the location of the Executive's principal place of employment (excluding any remote work arrangement) to a location that is at least 50 miles away from the location of the Executive's principal place of employment prior to such change (excluding any

remote work arrangement), unless such new location is no farther from the Executive's then-current residence than the immediately prior location and unless Executive is permitted to work on a remote basis to perform a substantial portion of his or her duties;

4. Any other action or inaction that constitutes a material breach by the Employer of this Agreement.

Good Reason shall not exist for a Termination of Employment unless the Executive provides notice to the Employer of the existence of the condition described in (i) through (iv) above within a period not to exceed 90 days of the initial existence of the condition, upon which the Employer has thirty days during which it may remedy the condition and not be required to pay the Termination Payment.

xxvii. MGIC. Mortgage Guaranty Insurance Corporation.

xxviii. Notice of Termination. Subject to Subsection 2(b), "Notice of Termination" has the meaning given to it in Section 10.

xxix. Parachute Payment. "Parachute Payment" has the meaning assigned to it in Section 280G of the Code and shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 280G(d)(4) of the Code and the regulations thereunder (or any successor provisions thereto).

xxx. Person. 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.

xxxi. Post-Change Bonus Plan. "Post-Change Bonus Plan" has the meaning given to it in Subsection 3(c)(v).

xxxii. Post-Change Equity Awards. "Post-Change Equity Awards" has the meaning given to it in Subsection 3(c)(vi).

xxxiii. Pre-Change Bonus Plan. "Pre-Change Bonus Plan" has the meaning given to it in Subsection 3(c)(v).

xxxiv. Prime. The rate of interest announced by U.S. Bank, National Association, Milwaukee, Wisconsin, from time to time as its prime or base lending rate, such rate to be determined on the Termination Date.

xxxv. Prior Year. "Prior Year" has the meaning given to it in Subsection 6(c)(i).

xxxvi. Protected Information. Proprietary business and other information of the Company and its Affiliates which is confidential and not generally known to, or readily ascertainable by, Competitors of the Company or its Affiliates including, but not limited to: customer lists (including lists of potential customers); information regarding customer relationships, needs, or practices; information concerning the skills, experience, compensation, incentives and/or evaluations for one or more employees; nonpublic financial information; sources of supply; processes; strategic plans; business methods; investment strategies and plans; sales and marketing plans and materials; future market and product plans; pricing information; research and development techniques, processes, product development, work processes or methodologies; product analyses; inventions, formulas, or techniques; efficiency data and testing data; technology; drawings, engineering, code, code writing, software and hardware development and platform information; and internal memoranda and policies; provided, however, that information that is (i) in the public domain (other than as a result of a breach of this Agreement or other unlawful means), (ii) approved for immediate release by the Company for use and disclosure without restriction, (iii) lawfully obtained from third parties who are not bound by a confidentiality agreement with the Company or its Affiliates, or (iv) independently developed without reliance on other Protected Information is not Protected Information.

xxxvii. Relevant Period. The 24 months prior to the Termination Date.

xxxviii. Restricted Products/Services. Products or services that compete with (i) the products or services that were sold, provided, or offered for sale by the Company or any of its Affiliates within the continental United States within the Relevant Period, or (ii) the products or services that were sold, provided, or offered for sale by the Company or any of its Affiliates in any country of the world, within the Relevant Period; and (iii) products or services that were the subject of documented research, development, or pre-production efforts by the Company or any of its Affiliates, within the Relevant Period and, in each case, regarding which the Executive had knowledge of Protected Information or Trade Secrets or personal involvement in customer relationships ("Other Restricted Products/Services").

xxxix. Sale of Business. “Sale of Business” has the meaning given to it in Subsection 14(a).

xl. Section 409A Tax. Interest charges and taxes imposed by Section 409A(a)(1)(B) of the Code, or any state, local, or foreign taxes of a similar nature, or any interest charges or penalties with respect to such taxes.

xli. Termination Date. Except as otherwise provided in Subsection 2(b), Subsection 7(b), and Subsection 14(a), the term “Termination Date” means (i) if the Executive’s Termination of Employment is by the Executive’s death, the date of death; (ii) if the Executive’s Termination of Employment is by reason of voluntary early retirement, as agreed in writing by the Employer and the Executive, the date of such early retirement which is set forth in such written agreement; (iii) if the Termination of Employment is by reason of disability pursuant to Section 9, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period; (iv) if the Termination of Employment is by the Executive voluntarily (other than for Good Reason), the date the Notice of Termination is given; (v) if the Termination of Employment is by the Employer for Cause, the earlier of ten days after the Notice of Termination is given or one day prior to the end of the Employment Period; and (vi) if the Executive’s Termination of Employment is by the Employer (other than for Cause or by reason of disability pursuant to Section 9) 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 (iii) of the definition of Cause and if the Executive has cured the conduct constituting such Cause as described by the Employer in its Notice of Termination within a 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.

xlii.Termination of Employment. For purposes of this Agreement, the Executive's Termination of Employment shall be presumed to occur (A) when the Company and Executive reasonably anticipate that no further services will be performed by the Executive for the Company and its 409A Affiliates or that the level of bona fide services the Executive will perform as an employee of the Company and its 409A Affiliates will permanently decrease to no more than 20% of the average level of bona fide services performed by the Executive (whether as an employee or independent contractor) for the Company and its 409A Affiliates over the immediately preceding 36-month period (or such lesser period of services) or (B) when the Company determines in good faith based on the facts and circumstances in accordance with Code Section 409A, upon a decrease in services by the Executive to more than 20% of such average level of bona fide services but less than 50%, that a Termination of Employment has occurred. The Executive's Termination of Employment shall be presumed not to occur where the level of bona fide services performed by the Executive for the Company and its 409A Affiliates continues at a level that is 50% or more of the average level of bona fide services performed by the Executive (whether as an employee or independent contractor) for the Company and its 409A Affiliates over the immediately preceding 36-month period (or such lesser period of service). No presumption applies to a decrease in services that is more than 20% of such average level of bona fide services but less than 50%, and in such event, whether the Executive has had a Termination of Employment will be determined in good faith by the Company based on the facts and circumstances in accordance with Code Section 409A. Notwithstanding the foregoing, if Executive takes a leave of absence for purposes of military leave, sick leave or other bona fide leave of absence, the Executive will not be deemed to have incurred a Termination of Employment for the first six months of the leave of absence, or if longer, for so long as the Executive's right to reemployment is provided either by statute or by contract, including this Agreement; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to twenty-nine months without causing a Termination of Employment. The foregoing notwithstanding, no Termination of Employment shall be deemed to have occurred under this Agreement unless there has been a "separation from service" as defined under Code Section 409A and Termination of Employment shall be construed to mean "separation from service" as so defined.

xliii.Termination Payment. "Termination Payment" has the meaning given to it in Subsection 6(c)(i).

xliv.Trade Secrets. Information of the Company, including a formula, pattern, compilation, program, device, method, technique or process to which both of the following apply: (i) the information derives independent economic value, actual or potential, from not being known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

xlv. Total Payments. “Total Payments” has the meaning given to it in Subsection 6(c)(ii).

Exhibit 31.1
CERTIFICATIONS

I, Timothy J. Mattke, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Timothy J. Mattke
Timothy J. Mattke
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Nathan H. Colson, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Nathan H. Colson
Nathan H. Colson
Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATIONS

The undersigned, Timothy J. Mattke, Chief Executive Officer of MGIC Investment Corporation (the "Company"), and Nathan H. Colson, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S. C. Section 1350, that to our knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2021

/s/ Timothy J. Mattke

Timothy J. Mattke
Chief Executive Officer

/s/ Nathan H. Colson

Nathan H. Colson
Chief Financial Officer

Exhibit 99

Risk Factors

Risk Factors included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020, as supplemented by Part II, Item 1A of our Quarterly Reports on Forms 10-Q for the quarter ended March 31, 2021 and through updating of various statistical and other information.

As used below, “we,” “our” and “us” refer to MGIC Investment Corporation’s consolidated operations or to MGIC Investment Corporation, as the context requires; and “MGIC” refers to Mortgage Guaranty Insurance Corporation.

Risk Factors Relating to the COVID-19 Pandemic

The COVID-19 pandemic may continue to materially impact our financial results and may also materially impact our business, liquidity and financial condition.

The COVID-19 pandemic had a material impact on our 2020 financial results. While uncertain, the future impact of the COVID-19 pandemic on the Company’s business, financial results, liquidity and/or financial condition may also be material. The magnitude of the impact will be influenced by various factors, including the length and severity of the pandemic in the United States, the length of time that measures intended to reduce the transmission of COVID-19 remain in place, the level of unemployment, and the impact of government initiatives and actions taken by Fannie Mae and Freddie Mac (the "GSEs") (including mortgage forbearance and modification programs) to mitigate the economic harm caused by COVID-19.

The COVID-19 pandemic may continue to impact our business in various ways, including the following, each of which is described in more detail in the remainder of these risk factors:

- Our incurred losses will increase if the number of insured mortgages in our delinquency inventory increases. We establish reserves for insurance losses when delinquency notices are received on loans that are two or more payments past due and for loans we estimate are delinquent prior to the close of the accounting period but for which delinquency notices have not yet been reported to us (this is often referred to as “IBNR”). In addition, our current estimates of the number of delinquencies for which we will receive claims, and the amount, or severity, of each claim, may increase.

- We may be required to maintain more capital under the private mortgage insurer eligibility requirements ("PMIERs") of the GSEs, which generally require more capital to be held for delinquent loans than for performing loans and require more capital to be held as the number of payments missed on delinquent loans increases.

- If the number of delinquencies increases, the number of claims we must pay over time will generally increase.

- Our access to the reinsurance and capital markets may be limited and the terms under which we are able to access such markets may be less attractive than the terms of our previous transactions.

Risk Factors Relating to the Mortgage Insurance Industry and its Regulation

Downturns in the domestic economy or declines in home prices may result in more homeowners defaulting and our losses increasing, with a corresponding decrease in our returns.

Losses result from events that reduce a borrower’s ability or willingness to make mortgage payments, such as unemployment, health issues, family status, and whether the home of a borrower who defaults on a mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. A deterioration in economic conditions, including an increase in unemployment, generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect home prices, which in turn can influence the willingness of borrowers with sufficient resources to make mortgage payments when the mortgage balance exceeds the value of the home. In 2020, according to the Purchase-Only U.S. Home Price Index of the Federal Housing Finance Agency (the “FHFA”), which is based on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac, home prices increased by 10.9% in 2020, after increasing by 5.5%, 5.8%, 6.4% and 6.0% in 2016, 2017, 2018 and 2019, respectively. Home prices may decline even absent a deterioration in economic conditions due to declines in demand for homes, which in turn may result from changes in buyers’ perceptions of the potential for future appreciation, restrictions on and the cost of mortgage credit due to more stringent underwriting standards, higher interest rates, changes to the tax deductibility of mortgage interest, decreases in the rate of household formations, or other factors.

The unemployment rate rose from 3.5% as of December 31, 2019, to 14.7% as of April 30, 2020. It was 6.0% as of March 31, 2021. High levels of unemployment may result in an increasing number of loans in our delinquency inventory and an increasing number of insurance claims; however, the increases are difficult to predict given the uncertainty in the current market environment, including uncertainty about the length and severity of the COVID-19 pandemic; the length of time that measures intended to reduce the transmission of COVID-19 remain in place; effects of forbearance programs enacted by the GSEs, various states and municipalities; and effects of past and future government stimulus programs. Current programs include, among others:

- Payment forbearance on federally-backed mortgages (including those delivered to or purchased by the GSEs) to borrowers experiencing a hardship during the COVID-19 pandemic.

- Additional cash payments to individuals provided for in the American Rescue Plan Act signed into law in March 2021.

- For those mortgages that are not subject to forbearance, a suspension of foreclosures and evictions until at least June 30, 2021, on mortgages purchased or securitized by the GSEs.

- Enhanced unemployment payments through September 6, 2021.

- An extension of the maximum duration for unemployment benefits, generally through September 6, 2021.

Forbearance for federally-insured mortgages allows for mortgage payments to be suspended for up to 18 months: an initial forbearance period of up to six months; if requested by the borrower following contact by the servicer, an extension of up to six months; and, for loans in a COVID-19 forbearance plan as of February 28, 2021, an additional extension of up to six months, subject to certain limits. The servicer of the loan must begin attempts to contact the borrower no later than 30 days prior to the expiration of any forbearance plan term and must continue outreach attempts until appropriate contact is made or the forbearance plan term has expired. In certain circumstances, the servicer will be unable to contact the borrower and the forbearance plan will expire after the first 180-day plan. A delinquent loan for which the borrower was unable to be contacted and that is not in a forbearance plan may be more likely to result in a claim than a delinquent loan in a forbearance plan.

Of our insurance in force written in 2020, approximately 13.1% was not delivered to or purchased by the GSEs. While servicers of some non-GSE loans may not be required to offer forbearance to borrowers, we allow servicers to apply GSE loss mitigation programs to non-GSE loans. In addition, the Consumer Financial Protection Bureau ("CFPB") requires substantial loss mitigation efforts be made prior to servicers initiating foreclosures, therefore, servicers of non-GSE loans may have an incentive to offer forbearance or deferment.

On April 5, 2021, the CFPB issued a Notice of Proposed Rulemaking ("NPR") regarding mortgage servicing. Although we cannot predict the contents or timing of a final rule, the NPR included a provision that would require a pre-foreclosure review period that would generally prohibit servicers from starting foreclosure until after December 2021, with the review period intended to allow for loss mitigation options to be explored.

Historically, forbearance plans have reduced the incidence of our losses on affected loans. However, given the uncertainty surrounding the long-term economic impact of COVID-19, it is difficult to predict the ultimate effect of COVID-19 related forbearances on our loss incidence. Of the loans in our delinquency inventory at March 31, 2021, 32,034 were reported to us as in forbearance. Of the 46,684 loans in our delinquency inventory as of June 30, 2020 that were reported to us as in forbearance, 58.8% are no longer in the default inventory as of March 31, 2021; 34.4% are still in the delinquency inventory and reported to us as in forbearance; and 6.7% are still in the delinquency inventory but no longer reported to us as in forbearance. Based on the date each loan in our delinquency inventory was reported to us as being in forbearance, we estimate that during the second quarter of 2021, 62% of those will reach their twelve-month anniversary of having been in forbearance and, unless their forbearance plans are extended, their forbearance plans may end. Whether a loan delinquency will cure, including through modification, when forbearance ends will depend on the economic circumstances of the borrower at that time. The severity of losses associated with delinquencies that do not cure will depend on economic conditions at that time, including home prices.

We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility.

We must comply with a GSE's PMIERs to be eligible to insure loans delivered to or purchased by that GSE. The PMIERs include financial requirements, as well as business, quality control and certain transaction approval requirements. The financial requirements of the PMIERs require a mortgage insurer's "Available Assets" (generally only the most liquid assets of an insurer) to equal or exceed its "Minimum Required Assets" (which are generally based on an insurer's book of risk in force and calculated from tables of factors with several risk dimensions, reduced for credit given for risk ceded under reinsurance agreements).

Based on our interpretation of the PMIERs, as of March 31, 2021, MGIC's Available Assets totaled $5.5 billion, or $2.3 billion in excess of its Minimum Required Assets. MGIC is in compliance with the PMIERs and eligible to insure loans purchased by the GSEs. Our "Minimum Required Assets" reflect a credit for risk ceded under our reinsurance transactions, which are discussed in our risk factor titled "The mix of business we write affects our Minimum Required Assets under the PMIERs, our premium yields and the likelihood of losses occurring." The calculated credit for excess of loss reinsurance transactions under PMIERs is generally based on the PMIERs requirement of the covered loans and the attachment and detachment points of the coverage, all of which fluctuate over time. PMIERs credit is generally not given for the reinsured risk above the PMIERs requirement. The GSEs have discretion to further limit reinsurance credit under the PMIERs. The total credit for risk ceded under our reinsurance transactions is subject to a modest reduction and is subject to periodic review by the GSEs. There is a risk we will not receive our current level of credit in future periods for ceded risk. In addition, we may not receive the same level of credit under future reinsurance transactions that we receive under existing transactions. If MGIC is not allowed certain levels of credit under the PMIERs, under certain circumstances, MGIC may terminate the reinsurance transactions without penalty.

The PMIERs generally require us to hold significantly more Minimum Required Assets for delinquent loans than for performing loans and the Minimum Required Assets required to be held increases as the number of payments missed on a delinquent loan increases. For delinquent loans whose initial missed payment occurred on or after March 1, 2020 and prior to April 1, 2021 (the "COVID-19 Crisis Period"), the Minimum Required Assets are generally reduced by 70% for at least three months. The 70% reduction will continue, or be newly applied, for delinquent loans that are subject to a forbearance plan that is granted in response to a financial hardship related to COVID-19, the terms of which are materially consistent with terms of forbearance plans offered by Freddie Mac or Fannie Mae. Under the PMIERs, a forbearance plan on a loan with an initial missed payment occurring during the COVID-19 Crisis Period is assumed to have been granted in response to a financial hardship related to COVID-19. Loans considered to be subject to a forbearance plan include those that are in a repayment plan or loan modification trial period following the forbearance plan. As noted above, if a servicer of a loan is unable to contact the borrower prior to the expiration of the first 180-day forbearance plan term, or if the forbearance plan reaches its twelve-month anniversary and is not further extended, the forbearance plan generally will expire. In such case, the 70% reduction in Minimum Required Assets for that loan will no longer be applicable, our Minimum Required Assets will increase and our excess of Available Assets over Minimum Required Assets will decrease. As of March 31, 2021, application of the 70% reduction decreased our Minimum Required Assets from approximately $3.9 billion to approximately $3.2 billion. We do not expect our Minimum Required Assets for the loans in forbearance at March 31, 2021 to increase by the full amount of the reduction upon expiration of the forbearance plans because we expect some loans whose forbearance plans expire to have their delinquencies cured through modification or otherwise.

Despite reducing the Minimum Required Assets for certain delinquent loans by 70%, an increasing number of loan delinquencies caused by the COVID-19 pandemic may cause our Minimum Required Assets to exceed our Available Assets. As of March 31, 2021, there were 52,775 loans in our delinquency inventory, of which 61% were reported to us as being subject to a forbearance plan. We believe substantially all of the reported forbearance plans are COVID-19-related. We are unable to predict the ultimate number of loans that will become delinquent as a result of the COVID-19 pandemic.

If our Available Assets fall below our Minimum Required Assets, we would not be in compliance with the PMIERs. The PMIERs provide a list of remediation actions for a mortgage insurer's non-compliance, with additional actions possible in the GSEs' discretion. At the extreme, the GSEs may suspend or terminate our eligibility to insure loans purchased by them. Such suspension or termination would significantly reduce the volume of our new insurance written ("NIW"); the substantial majority of which is for loans delivered to or purchased by the GSEs. In addition to the increase in Minimum Required Assets associated with delinquent loans, factors that may negatively impact MGIC’s ability to continue to comply with the financial requirements of the PMIERs include the following:

- The GSEs may make the PMIERs more onerous in the future. The PMIERs provide that the factors that determine Minimum Required Assets will be updated periodically, or as needed if there is a significant change in macroeconomic conditions or loan performance. We do not anticipate that the regular periodic updates will occur more frequently than once every two years. The PMIERs state that the GSEs will provide notice 180 days prior to the effective date of updates to the factors; however, the GSEs may amend the PMIERs at any time, including by imposing restrictions specific to our company.

- There may be future implications for PMIERs as a result of changes to the regulatory capital requirements for the GSEs. In November 2020, the FHFA adopted a rule containing a risk-based capital framework for the GSEs that will increase their capital requirements, effective on the later of (i) the date of termination of the FHFA’s conservatorship of the applicable GSE; (ii) sixty days after publication of the adopted rule in the Federal Register; or (iii) any later compliance date provided in a consent order or other transition order applicable to a GSE. The increase in capital requirements may ultimately result in an increase in the Minimum Required Assets required to be held by mortgage insurers.

- Our future operating results may be negatively impacted by the matters discussed in the rest of these risk factors. Such matters could decrease our revenues, increase our losses or require the use of assets, thereby creating a shortfall in Available Assets.

Should capital be needed by MGIC in the future, capital contributions from our holding company may not be available due to competing demands on holding company resources, including for repayment of debt.

Because we establish loss reserves only upon a loan delinquency rather than based on estimates of our ultimate losses on risk in force, losses may have a disproportionate adverse effect on our earnings in certain periods.

In accordance with accounting principles generally accepted in the United States, we establish case reserves for insurance losses and loss adjustment expenses only when delinquency notices are received for insured loans that are two or more payments past due and for loans we estimate are delinquent but for which delinquency notices have not yet been received (this is often referred to as “IBNR”). Losses that may occur from loans that are not delinquent are not reflected in our financial statements, except in the case where a premium deficiency exists. A premium deficiency would be recorded if the present value of expected future losses and expenses exceeds the present value of expected future premiums and already established loss reserves on the applicable loans. As a result, future losses on loans that are not currently delinquent may have a material impact on future results as such losses emerge. As of March 31, 2021, we had established case reserves and reported losses incurred for 52,775 loans in our delinquency inventory and our IBNR reserve totaled $24 million. Though not reflected in our March 31, 2021 financial results, as of April 30, 2021, our delinquency inventory had decreased to 47,825 loans. The number of loans in our delinquency inventory may increase from that level as a result of the COVID-19 pandemic, including as a result of high unemployment associated with initiatives intended to reduce the transmission of COVID-19. As a result, our losses incurred may increase in future periods. The impact of the COVID-19 pandemic on the number of delinquencies and our losses incurred will be influenced by various factors, including those discussed in our risk factor titled *"The COVID-19 pandemic may continue to materially impact our financial results and may also materially impact our business, liquidity and financial condition."*

Because loss reserve estimates are subject to uncertainties, paid claims may be substantially different than our loss reserves.

When we establish case reserves, we estimate our ultimate loss on delinquent loans by estimating the number of such loans that will result in a claim payment (the "claim rate"), and further estimating the amount of the claim payment (the "claim severity"). Our estimates incorporate anticipated cures, loss mitigation activity, rescissions and curtailments. The establishment of loss reserves is subject to inherent uncertainty and requires judgment by management. Our actual claim payments may be substantially different than our loss reserve estimates. Our estimates could be affected by several factors, including a change in regional or national economic conditions, the impact of past and future government initiatives and actions taken by the GSEs to mitigate the economic harm caused by the COVID-19 pandemic (including foreclosure moratoriums and mortgage forbearance and modification programs) and efforts to reduce the transmission of COVID-19, and a change in the length of time loans are delinquent before claims are received. All else being equal, the longer a loan is delinquent before a claim is received, the greater the severity. In light of the uncertainty caused by the COVID-19 pandemic, including the impact of foreclosure moratoriums and forbearance programs, the average time it takes to receive a claim may increase. The change in economic conditions may include changes in unemployment, including prolonged unemployment as a result of the COVID-19 pandemic, which may affect the ability of borrowers to make mortgage payments, and changes in home prices, which may affect the willingness of borrowers to make mortgage payments when the value of the home is below the mortgage balance. The economic effects of the COVID-19 pandemic may be disproportionately concentrated in certain geographic regions. Information about the geographic dispersion of our insurance in force can be found in our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q. Changes to our claim rate and claim severity estimates could have a material impact on our future results, even in a stable economic environment. Losses incurred generally have followed a seasonal trend in which the second half of the year has weaker credit performance than the first half, with higher new default notice activity and a lower cure rate; however, the effects of the COVID-19 pandemic affected this pattern in 2020 when new delinquency notice activity was higher in the second quarter of the year.

The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.

Alternatives to private mortgage insurance include:

- investors using risk mitigation and credit risk transfer techniques other than private mortgage insurance,
- lenders and other investors holding mortgages in portfolio and self-insuring,
- lenders using Federal Housing Administration ("FHA"), U.S. Department of Veterans Affairs ("VA") and other government mortgage insurance programs, and
- lenders originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ("LTV") ratio and a second mortgage with a 10%, 15% or 20% LTV ratio rather than a first mortgage with a 90%, 95% or 100% LTV ratio that has private mortgage insurance.

The GSEs’ charters generally require credit enhancement for a low down payment mortgage loan (a loan in an amount that exceeds 80% of a home’s value) in order for such loan to be eligible for purchase by the GSEs. Private mortgage insurance generally has been purchased by lenders in primary mortgage market transactions to satisfy this credit enhancement requirement. In 2018, the GSEs initiated secondary mortgage market programs with loan level mortgage default coverage provided by various (re)insurers that are not mortgage insurers governed by PMIERs, and that are not selected by the lenders. These programs, which currently account for a small percentage of the low down payment market, compete with traditional private mortgage insurance and, due to differences in policy terms, they may offer premium rates that are below prevalent single premium lender-paid mortgage insurance ("LPMI") rates. We participate in these programs from time to time. See our risk factor titled “*Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses”* for a discussion of various business practices of the GSEs that may be changed, including through expansion or modification of these programs.

The GSEs (and other investors) have also used other forms of credit enhancement that did not involve traditional private mortgage insurance, such as engaging in credit-linked note transactions executed in the capital markets, or using other forms of debt issuances or securitizations that transfer credit risk directly to other investors, including competitors and an affiliate of MGIC; using other risk mitigation techniques in conjunction with reduced levels of private mortgage insurance coverage; or accepting credit risk without credit enhancement.

The FHA's share of the low down payment residential mortgages that were subject to FHA, VA, USDA or primary private mortgage insurance was 23.4% in 2020, 28.2% in 2019 and 30.5% in 2018. In the past ten years, the FHA’s share has been as low as 23.4% (in 2020) and as high as 51.3% (in 2011). Factors that influence the FHA's market share include relative rates and fees, underwriting guidelines and loan limits of the FHA, VA, private mortgage insurers and the GSEs; lenders' perceptions of legal risks under FHA versus GSE programs; flexibility for the FHA to establish new products as a result of federal legislation and programs; returns expected to be obtained by lenders for Ginnie Mae securitization of FHA-insured loans compared to those obtained from selling loans to the GSEs for securitization; and differences in policy terms, such as the ability of a borrower to cancel insurance coverage under certain circumstances. The current Presidential Administration appears more likely than the last Administration to reduce the FHA's mortgage insurance premium rates. Such a rate reduction would negatively impact our NIW; however, given the many factors that influence the FHA's market share, it is difficult to predict the impact. In addition, we cannot predict how the factors that affect the FHA's share of new insurance written will change in the future.

The VA's share of the low down payment residential mortgages that were subject to FHA, VA, USDA or primary private mortgage insurance was 30.9% in 2020, 25.2% in 2019 and 22.9% in 2018. In the past ten years, the VA's share has been as low as 21.8% (in 2011) and as high as 30.9% (in 2020). We believe that the VA's market share has generally been elevated in recent years because of an increase in the number of borrowers that are eligible for the VA's program, which offers 100% LTV ratio loans and charges a one-time funding fee that can be included in the loan amount, and because eligible borrowers have opted to use the VA program when refinancing their mortgages.

Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses.

The substantial majority of our NIW is for loans purchased by the GSEs; therefore, the business practices of the GSEs greatly impact our business and they include:

- The GSEs' PMIERs, the financial requirements of which are discussed in our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility."*

- The capital and collateral requirements for participants in the GSEs' alternative forms of credit enhancement discussed in our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."*

- The level of private mortgage insurance coverage, subject to the limitations of the GSEs' charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages (the GSEs generally require a level of mortgage insurance coverage that is higher than the level of coverage required by their charters; any change in the required level of coverage will impact our new risk written).

- The amount of loan level price adjustments and guaranty fees (which result in higher costs to borrowers) that the GSEs assess on loans that require private mortgage insurance. The recently adopted GSE capital framework may lead the GSEs to increase their guaranty fees.

- Whether the GSEs select or influence the mortgage lender's selection of the mortgage insurer providing coverage.

- The underwriting standards that determine which loans are eligible for purchase by the GSEs, which can affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans.

- The terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law.

- The programs established by the GSEs intended to avoid or mitigate loss on insured mortgages and the circumstances in which mortgage servicers must implement such programs.

- The terms that the GSEs require to be included in mortgage insurance policies for loans that they purchase, including limitations on the rescission rights of mortgage insurers.

- The extent to which the GSEs intervene in mortgage insurers' claims paying practices, rescission practices or rescission settlement practices with lenders.

- The maximum loan limits of the GSEs compared to those of the FHA and other investors.

The FHFA has been the conservator of the GSEs since 2008 and has the authority to control and direct their operations. The increased role that the federal government has assumed in the residential housing finance system through the GSE conservatorship may increase the likelihood that the business practices of the GSEs change, including through administrative action, in ways that have a material adverse effect on us and that the charters of the GSEs are changed by new federal legislation.

In 2019, the U.S. Treasury Department ("Treasury") released the “Treasury Housing Reform Plan” (the "Plan"). The Plan recommends administrative and legislative reforms for the housing finance system, with such reforms intended to achieve the goals of ending the conservatorships of the GSEs; increasing competition and participation by the private sector in the mortgage market including by authorizing the FHFA to approve additional guarantors of conventional mortgages in the secondary market, simplifying the qualified mortgage ("QM") rule of the CFPB, transferring risk to the private sector, and eliminating the "GSE Patch" (discussed below); establishing regulation of the GSEs that safeguards their safety and soundness and minimizes the risks they pose to the financial stability of the United States; and providing that the federal government is properly compensated for any explicit or implicit support it provides to the GSEs or the secondary housing finance market. The GSE capital framework adopted in November 2020 establishes a post-conservatorship regulatory capital framework intended to ensure that the GSEs operate in a safe and sound manner. In January 2021, the GSEs' Preferred Stock Purchase Agreements ("PSPAs") were amended to allow the GSEs to continue to retain earnings until they satisfy the requirements of the 2020 GSE capital framework. In addition, a proposed rule issued by the FHFA in December 2020 would require minimum funding requirements and new liquidity standards. The impact of the Plan on private mortgage insurance is unclear. The Plan does not refer to mortgage insurance explicitly; however, it refers to a requirement for credit enhancement on high LTV ratio loans, which is a requirement of the current GSE charters. The Plan also indicates that the FHFA should continue to support efforts to expand credit risk transfer ("CRT") programs and should encourage the GSEs to continue to engage in a diverse mix of economically sensible CRT programs, including by increasing reliance on institution-level capital (presumably, as distinguished from capital obtained in the capital markets). For more information about CRT programs, see our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."*

In late 2020, the CFPB adopted a rule that would have eliminated the GSE Patch effective upon the earlier of the GSEs' exit from conservatorship or July 1, 2021. In addition, a new QM definition would have become effective March 1, 2021. Although the CFPB has proposed to delay the elimination of the GSE Patch and the effectiveness of the new QM definition until October 1, 2022, the GSEs have announced that loans with applications received on or after July 1, 2021 cannot be GSE Patch loans and must conform to the new QM definition. The GSE Patch had expanded the definition of QM under the Truth in Lending Act (Regulation Z) ("TILA") to include mortgages eligible to be purchased by the GSEs, even if the mortgages did not meet the debt-to-income ("DTI") ratio limit of 43% that was included in the standard QM definition. Originating a QM may provide a lender with legal protection from lawsuits that claim the lender failed to verify a borrower’s ability to repay. The new QM definition continues to require lenders to consider a borrower's DTI ratio; however, it replaces the DTI ratio cap with a pricing threshold that excludes from the definition of QM a loan whose annual percentage rate ("APR") exceeds the average prime offer rate for comparable loans by 2.25 percentage points or more. Although approximately 20% of our first quarter 2021 NIW was on loans with DTI ratios greater than 43%, we believe less than 2% of our first quarter 2021 NIW was on loans whose APR exceeded the maximum to qualify as a QM.

Treasury's Plan indicated that the FHFA and the Department of Housing and Urban Development ("HUD") should develop and implement a specific understanding as to the appropriate roles and overlap between the GSEs and FHA, including with respect to the GSEs’ acquisitions of high LTV ratio loans and high DTI ratio loans. In connection with the 2021 amendment to the PSPAs, the GSEs must limit the acquisition of certain loans with multiple higher risk characteristics related to LTV, DTI and credit score, to levels indicated to be their current levels at the time of the amendment.

As a result of the matters referred to above and the change in the Presidential Administration occurring in January 2021, it is uncertain what role the GSEs, FHA and private capital, including private mortgage insurance, will play in the residential housing finance system in the future. The timing and impact on our business of any resulting changes is uncertain. Many of the proposed changes would require Congressional action to implement and it is difficult to estimate when Congressional action would be final and how long any associated phase-in period may last.

Reinsurance may not always be available or affordable.

We have in place quota share reinsurance ("QSR") and excess of loss reinsurance ("XOL") transactions providing various amounts of coverage on 90% of our risk in force as of March 31, 2021. Our QSR transactions with unaffiliated reinsurers cover most of our insurance written from 2013 through 2022, and smaller portions of our insurance written prior to 2013 and from 2023 through 2025. The weighted average coverage percentage of our QSR transactions was 23%, based on risk in force as of March 31, 2021. Our XOL transactions provide excess-of-loss reinsurance coverage for a portion of the risk associated with certain mortgage insurance policies having insurance coverage in force dates from July 1, 2016 through March 31, 2019 and January 1, 2020 through December 31, 2020, all dates inclusive. The XOL transactions were entered into with special purpose insurers that issued notes linked to the reinsurance coverage ("Insurance Linked Notes" or "ILNs"). The reinsurance transactions reduce the tail-risk associated with stress scenarios. As a result, they reduce the capital that we are required to hold to support the risk and they allow us to earn higher returns on our business than we would without them. However, reinsurance may not always be available to us or available on similar terms, the quota share reinsurance transactions subject us to counterparty credit risk, and the GSEs may change the credit they allow under the PMIERs for risk ceded under our reinsurance transactions. If we are unable to obtain reinsurance for NIW, our returns may decrease absent an increase in our premium rates. An increase in our premium rates may lead to a decrease in our NIW.

We are subject to comprehensive regulation and other requirements, which we may fail to satisfy.

We are subject to comprehensive regulation, including by state insurance departments. Many regulations are designed for the protection of our insured policyholders and consumers, rather than for the benefit of investors. Mortgage insurers, including MGIC, have in the past been involved in litigation and regulatory actions related to alleged violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act ("RESPA"), and the notice provisions of the Fair Credit Reporting Act ("FCRA"). While these proceedings in the aggregate did not result in material liability for MGIC, there can be no assurance that the outcome of future proceedings, if any, under these laws would not have a material adverse effect on us. To the extent that we are construed to make independent credit decisions in connection with our contract underwriting activities, we also could be subject to increased regulatory requirements under the Equal Credit Opportunity Act ("ECOA"), FCRA, and other laws. Under ECOA, examination may also be made of whether a mortgage insurer's underwriting decisions have a disparate impact on persons belonging to a protected class in violation of the law.

Although their scope varies, state insurance laws generally grant broad supervisory powers to agencies or officials to examine insurance companies and enforce rules or exercise discretion affecting almost every significant aspect of the insurance business, including payment for the referral of insurance business, premium rates and discrimination in pricing, and minimum capital requirements. The increased use, by the private mortgage insurance industry, of risk-based pricing systems that establish premium rates based on more attributes than previously considered may result in increased state and/or federal scrutiny of premium rates. The increased use of algorithms, artificial intelligence and data and analytics in the mortgage insurance industry may also lead to additional regulatory scrutiny related to other matters such as discrimination in pricing and underwriting, data privacy and access to insurance. For more information about state capital requirements, see our risk factor titled "*State capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis*." For information about regulation of data privacy, see our risk factor titled "*We could be adversely affected if personal information on consumers that we maintain is improperly disclosed; our information technology systems are damaged or their operations are interrupted; or our automated processes do not operate as expected*." For more details about the various ways in which our subsidiaries are regulated, see "Business - Regulation" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2020. While we believe our practices are in conformity with applicable laws and regulations, it is not possible to predict the eventual scope, duration or outcome of any reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

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

The factors that may affect the volume of low down payment mortgage originations include the health of the U.S. economy, conditions in regional and local economies and the level of consumer confidence; restrictions on mortgage credit due to more stringent underwriting standards, liquidity issues or risk-retention and/or capital requirements affecting lenders; the level of home mortgage interest rates; housing affordability; new and existing housing availability; the rate of household formation, which is influenced, in part, by population and immigration trends; homeownership rates; the rate of home price appreciation, which in times of heavy refinancing can affect whether refinanced loans have LTV ratios that require private mortgage insurance; and government housing policy encouraging loans to first-time homebuyers. A decline in the volume of low down payment home mortgage originations could decrease demand for mortgage insurance and limit our NIW. For other factors that could decrease the demand for mortgage insurance, see our risk factor titled "The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."

State capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis.

The insurance laws of 16 jurisdictions, including Wisconsin, MGIC's domiciliary state, require a mortgage insurer to maintain a minimum amount of statutory capital relative to its risk in force (or a similar measure) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the "State Capital Requirements." While they vary among jurisdictions, the most common State Capital Requirements allow for a maximum risk-to-capital ratio of 25 to 1. A risk-to-capital ratio will increase if (i) the percentage decrease in capital exceeds the percentage decrease in insured risk, or (ii) the percentage increase in capital is less than the percentage increase in insured risk. Wisconsin does not regulate capital by using a risk-to-capital measure but instead requires a minimum policyholder position ("MPP"). The "policyholder position" of a mortgage insurer is its net worth or surplus, contingency reserve and a portion of the reserves for unearned premiums.

At March 31, 2021 MGIC's risk-to-capital ratio was 8.8 to 1, below the maximum allowed by the jurisdictions with State Capital Requirements, and its policyholder position was $3.4 billion above the required MPP of $1.7 billion. At March 31, 2021, the risk-to-capital ratio of our combined insurance operations was 8.8 to 1. Our risk-to-capital ratio and MPP reflect full credit for the risk ceded under our quota share reinsurance and excess of loss transactions with unaffiliated reinsurers. It is possible that under the revised State Capital Requirements discussed below, MGIC will not be allowed full credit for the risk ceded under such transactions. If MGIC is not allowed an agreed level of credit under the State Capital Requirements, MGIC may terminate the reinsurance transactions, without penalty.

The NAIC previously announced plans to revise the State Capital Requirements that are provided for in its Mortgage Guaranty Insurance Model Act. In December 2019, a working group of state regulators released an exposure draft of a revised Mortgage Guaranty Insurance Model Act and a risk-based capital framework to establish capital requirements for mortgage insurers, although no date has been established by which the NAIC must propose revisions to the capital requirements and certain items have not yet been completely addressed by the framework, including the treatment of ceded risk and minimum capital floors. Currently we believe that the PMIERs contain more restrictive capital requirements than the draft Mortgage Guaranty Insurance Model Act in most circumstances.

While MGIC currently meets, and expects to continue to meet, the State Capital Requirements of Wisconsin and all other jurisdictions, it could be prevented from writing new business in the future in all jurisdictions if it fails to meet the State Capital Requirements of Wisconsin, or it could be prevented from writing new business in a particular jurisdiction if it fails to meet the State Capital Requirements of that jurisdiction, and in each case if MGIC does not obtain a waiver of such requirements. It is possible that regulatory action by one or more jurisdictions, including those that do not have specific State Capital Requirements, may prevent MGIC from continuing to write new insurance in such jurisdictions. If we are unable to write business in a particular jurisdiction, lenders may be unwilling to procure insurance from us anywhere. In addition, a lender's assessment of the future ability of our insurance operations to meet the State Capital Requirements or the PMIERs may affect its willingness to procure insurance from us. In this regard, see our risk factor titled *"Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and/or increase our losses."* A possible future failure by MGIC to meet the State Capital Requirements or the PMIERs will not necessarily mean that MGIC lacks sufficient resources to pay claims on its insurance liabilities. While we believe MGIC has sufficient claims paying resources to meet its claim obligations on its insurance in force on a timely basis, you should read the rest of these risk factors for information about matters that could negatively affect MGIC's compliance with State Capital Requirements and its claims paying resources, including the effects of the COVID-19 pandemic.

We are susceptible to disruptions in the servicing of mortgage loans that we insure and we rely on third-party reporting for information regarding the mortgage loans we insure.

We depend on reliable, consistent third-party servicing of the loans that we insure. An increase in delinquent loans, including as a result of the COVID-19 pandemic, may result in liquidity issues and operational burdens for servicers. When a mortgage loan that is collateral for a mortgage backed security ("MBS") becomes delinquent, the servicer is usually required to continue to pay principal and interest to the MBS investors, generally for four months, even though the servicer is not receiving payments from borrowers. This may cause liquidity issues for especially non-bank servicers (who service approximately 43% of the loans underlying our insurance in force as of March 31, 2021) because they do not have the same sources of liquidity that bank servicers have.

While there has been no disruption in our premium receipts through the end of March 2021, servicers who experience future liquidity issues may be less likely to advance premiums to us on policies covering delinquent loans or to remit premiums on policies covering loans that are not delinquent. Our policies allow us to cancel coverage on loans that are not delinquent if the premiums are not paid within a grace period. However, in response to the COVID-19 pandemic, many states have enacted moratoriums on the cancellation of insurance due to non-payment. The specific provisions of the moratoriums vary from state-to-state. In addition, the GSEs amended the PMIERs to require that mortgage insurers notify the GSEs before coverage is cancelled in specific circumstances and to give the GSEs the opportunity to pay the premium on behalf of the servicer to keep coverage in force.

The increased operational burdens associated with the current numbers of delinquent loans and the potential increase in delinquent loans caused by the COVID-19 pandemic, as well as the possible transfer of servicing resulting from liquidity issues, may cause a disruption in the servicing of delinquent loans and reduce servicers' abilities to undertake mitigation efforts that could help limit our losses.

The information presented in this report and on our website with respect to the mortgage loans we insure is based on information reported to us by third parties, including the servicers and originators of the mortgage loans, and information presented may be subject to lapses or inaccuracies in reporting from such third parties. In many cases, we may not be aware that information reported to us is incorrect until such time as a claim is made against us under the relevant insurance policy. We do not receive monthly information from servicers for single premium policies, and may not be aware that the mortgage loans insured by such policies have been repaid. We periodically attempt to determine if coverage is still in force on such policies by asking the last servicer of record or through the periodic reconciliation of loan information with certain servicers. It may be possible that our reports continue to reflect, as active, policies on mortgage loans that have been repaid.

Changes in interest rates, house prices or mortgage insurance cancellation requirements may change the length of time that our policies remain in force.

The premium from a single premium policy is collected upfront and generally earned over the estimated life of the policy. In contrast, premiums from a monthly premium policy are received and earned each month over the life of the policy. In each year, most of our premiums earned are from insurance that has been written in prior years. As a result, the length of time insurance remains in force, which is generally measured by persistency (the percentage of our insurance remaining in force from one year prior), is a significant determinant of our revenues. Future premiums on our monthly premium policies in force represent a material portion of our claims paying resources and a low persistency rate will reduce those future premiums. In contrast, a higher than expected persistency rate will decrease the profitability from single premium policies because they will remain in force longer than was estimated when the policies were written.

Our persistency rate was 56.2% at March 31, 2021, 60.5% at December 31, 2020 and 75.8% at December 31, 2019. Since 2000, our year-end persistency ranged from a high of 84.7% at December 31, 2009 to a low of 47.1% at December 31, 2003. Our persistency rate is primarily affected by the level of current mortgage interest rates compared to the mortgage coupon rates on our insurance in force, which affects the vulnerability of the insurance in force to refinancing. Our persistency rate is also affected by the mortgage insurance cancellation policies of mortgage investors along with the current value of the homes underlying the mortgages in the insurance in force.

Pandemics, hurricanes and other natural disasters may impact our incurred losses, the amount and timing of paid claims, our inventory of notices of default and our Minimum Required Assets under PMIERs.

Pandemics and other natural disasters, such as hurricanes, tornadoes, earthquakes, wildfires and floods, or other events related to changing climatic conditions, could trigger an economic downturn in the affected areas, or in areas with similar risks, which could result in a decline in our business and an increased claim rate on policies in those areas. Natural disasters and rising sea levels could lead to a decrease in home prices in the affected areas, or in areas with similar risks, which could result in an increase in claim severity on policies in those areas. In addition, the inability of a borrower to obtain hazard and/or flood insurance, or the increased cost of such insurance, could lead to an increase in defaults or a decrease in home prices in the affected areas. If we were to attempt to limit our new insurance written in disaster-prone areas, lenders may be unwilling to procure insurance from us anywhere.

Pandemics and other natural disasters could also lead to increased reinsurance rates or reduced availability of reinsurance. This may cause us to retain more risk than we otherwise would retain and could negatively affect our compliance with the financial requirements of the PMIERs.

The PMIERs require us to maintain significantly more "Minimum Required Assets" for delinquent loans than for performing loans; however, the increase in Minimum Required Assets is not as great for certain delinquent loans in areas that the Federal Emergency Management Agency has declared major disaster areas and for certain loans whose borrowers have been affected by COVID-19. An increase in delinquency notices resulting from a pandemic, such as the COVID-19 pandemic, or other natural disaster may result in an increase in "Minimum Required Assets" and a decrease in the level of our excess "Available Assets" which is discussed in our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility."*

On January 19, 2021, the FHFA issued a Request for Input ("RFI") regarding Climate and Natural Disaster Risk Management at the Regulated Entities (i.e. the GSEs and the Federal Home Loan Bank system). It is possible that efforts to manage this risk by the FHFA, GSEs or others could materially impact the volume and characteristics of our NIW, home prices in certain areas and defaults by borrowers in certain areas.

Risk Factors Relating to Our Business Generally

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

We set premiums at the time a policy is issued based on our expectations regarding likely performance of the insured risks over the long term. Generally, we cannot cancel mortgage insurance coverage or adjust renewal premiums during the life of a policy. As a result, higher than anticipated claims generally cannot be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. Our premiums are subject to approval by state regulatory agencies, which can delay or limit our ability to increase premiums on future policies. In addition, our customized rate plans may delay our ability to increase premiums on future policies covered by such plans. The premiums we charge, the investment income we earn and the amount of reinsurance we carry may not be adequate to compensate us for the risks and costs associated with the insurance coverage provided to customers. An increase in the number or size of claims, compared to what we anticipated when we set the premiums, could adversely affect our results of operations or financial condition. Our premium rates are also based in part on the amount of capital we are required to hold against the insured risk. If the amount of capital we are required to hold increases from the amount we were required to hold when we set the premiums, our returns may be lower than we assumed. For a discussion of the effect of the COVID-19 pandemic on the amount of capital we are required to hold, see our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility."*

Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses.

The private mortgage insurance industry is highly competitive and is expected to remain so. We believe we currently compete with other private mortgage insurers based on premium rates, underwriting requirements, financial strength (including based on credit or financial strength ratings), customer relationships, name recognition, reputation, strength of management teams and field organizations, the ancillary products and services provided to lenders and the effective use of technology and innovation in the delivery and servicing of our mortgage insurance products.

Our relationships with our customers, which may affect the amount of our NIW, could be adversely affected by a variety of factors, including if our premium rates are higher than those of our competitors, our underwriting requirements are more restrictive than those of our competitors, or our customers are dissatisfied with our claims-paying practices (including insurance policy rescissions and claim curtailments).

In recent years, much of the competition in the industry has centered on pricing practices which have included: (a) decreased use of standard rate cards; and (b) increased use of (i) "risk-based pricing systems" that use a spectrum of filed rates to allow for formulaic, risk-based pricing based on multiple attributes that may be quickly adjusted within certain parameters, and (ii) customized rate plans, both of which typically have rates lower than the standard rate card. While our increased use of reinsurance over the past several years has helped to mitigate the negative effect of declining premium rates on our returns, refer to our risk factor titled *"Reinsurance may not always be available or affordable"* for a discussion of the risks associated with the availability of reinsurance.

The widespread use of risk-based pricing systems by the private mortgage insurance industry makes it more difficult to compare our rates to those offered by our competitors. We may not be aware of industry rate changes until we observe that our volume of NIW has changed. In addition, business under customized rate plans is awarded by certain customers for only limited periods of time. As a result, our NIW may fluctuate more than it had in the past. Regarding the concentration of our new business, our top ten customers accounted for approximately 41% and 26% of our NIW, in each of the twelve months ended March 31, 2021 and March 31, 2020, respectively.

We monitor various competitive and economic factors while seeking to balance both profitability and market share considerations in developing our pricing strategies. Premium rates on NIW will change our premium yield (net premiums earned divided by the average insurance in force) over time as older insurance policies run off and new insurance policies with different premium rates are written.

Certain of our competitors have access to capital at a lower cost than we do (including, through off-shore intercompany reinsurance vehicles, which have tax advantages that may increase if U.S. corporate income taxes increase). As a result, they may be able to achieve higher after-tax rates of return on their NIW compared to us, which could allow them to leverage reduced premium rates to gain market share, and they may be better positioned to compete outside of traditional mortgage insurance, including by participating in alternative forms of credit enhancement pursued by the GSEs discussed in our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance*."

Although the current PMIERs of the GSEs do not require an insurer to maintain minimum financial strength ratings, our financial strength ratings can affect us in the ways set forth below. If we are unable to compete effectively in the current or any future markets as a result of the financial strength ratings assigned to our insurance subsidiaries, our future new insurance written could be negatively affected.

- A downgrade in our financial strength ratings could result in increased scrutiny of our financial condition by the GSEs and/or our customers, potentially resulting in a decrease in the amount of our NIW.

- Our ability to participate in the non-GSE residential mortgage-backed securities market (the size of which has been limited since 2008, but may grow in the future), could depend on our ability to maintain and improve our investment grade ratings for our insurance subsidiaries. We could be competitively disadvantaged with some market participants because the financial strength ratings of our insurance subsidiaries are lower than those of some competitors. MGIC's financial strength rating from A.M. Best is A- (with a stable outlook), from Moody’s is Baa1 (with a stable outlook) and from Standard & Poor’s is BBB+ (with a stable outlook).

- Financial strength ratings may also play a greater role if the GSEs no longer operate in their current capacities, for example, due to legislative or regulatory action. In addition, although the PMIERs do not require minimum financial strength ratings, the GSEs consider financial strength ratings to be important when using forms of credit enhancement other than traditional mortgage insurance, as discussed in our risk factor titled "*The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."* The final GSE capital framework provides more capital credit for transactions with higher rated counterparties, as well as those who are diversified. Although we are currently unaware of a direct impact on MGIC, this could potentially become a competitive disadvantage in the future.

We are involved in legal proceedings and are subject to the risk of additional legal proceedings in the future.

Before paying an insurance claim, generally we review the loan and servicing files to determine the appropriateness of the claim amount. When reviewing the files, we may determine that we have the right to rescind coverage or deny a claim on the loan (both referred to as “rescissions”). In addition, our insurance policies generally provide that we can reduce a claim if the servicer did not comply with its obligations under our insurance policy (such reduction referred to as a “curtailment”). In recent quarters, an immaterial percentage of claims received in a quarter have been resolved by rescissions. In the first quarter of 2021 and in 2020, curtailments reduced our average claim paid by approximately 3.9% and 3.6%, respectively. The COVID-19-related foreclosure moratoriums and forbearance plans have decreased our claims paid activity beginning in the second quarter of 2020. It is difficult to predict the level of curtailments once the foreclosure moratoriums and forbearance plans end. Our loss reserving methodology incorporates our estimates of future rescissions, curtailments, and reversals of rescissions and curtailments. A variance between ultimate actual rescission, curtailment and reversal rates and our estimates, as a result of the outcome of litigation, settlements or other factors, could materially affect our losses.

When the insured disputes our right to rescind coverage or curtail claims, we generally engage in discussions in an attempt to settle the dispute. If we are unable to reach a settlement, the outcome of a dispute ultimately may be determined by legal proceedings. Under ASC 450-20, until a loss associated with settlement discussions or legal proceedings becomes probable and can be reasonably estimated, we consider our claim payment or rescission resolved for financial reporting purposes and do not accrue an estimated loss. When we determine that a loss is probable and can be reasonably estimated, we record our best estimate of our probable loss. In those cases, until settlement negotiations or legal proceedings are concluded (including the receipt of any necessary GSE approvals), it is reasonably possible that we will record an additional loss. We are currently involved in discussions and/or proceedings with respect to our claims paying practices. Although it is reasonably possible that, when resolved, we will not prevail on all matters, we are unable to make a reasonable estimate or range of estimates of the potential liability. We estimate the maximum exposure where a loss is reasonably possible to be approximately $43 million. This estimate of maximum exposure is based on currently available information; is subject to significant judgment, numerous assumptions and known and unknown uncertainties; will include an amount for matters for which we have recorded a probable loss until such matters are concluded; will include different matters from time to time; and does not include interest or consequential or exemplary damages.

In addition to the matters described above, we are involved in other legal proceedings in the ordinary course of business. In our opinion, based on the facts known at this time, the ultimate resolution of these ordinary course legal proceedings will not have a material adverse effect on our financial position or results of operations.

If our risk management programs are not effective in identifying, or adequate in controlling or mitigating, the risks we face, or if the models used in our businesses are inaccurate, it could have a material adverse impact on our business, results of operations and financial condition.

Our enterprise risk management program, described in "Business - Our Products and Services - Risk Management" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2020, may not be effective in identifying, or adequate in controlling or mitigating, the risks we face in our business.

We employ proprietary and third party models to project returns, price products (including through our risk-based pricing system), determine the techniques used to underwrite insurance, estimate reserves, generate projections used to estimate future pre-tax income and to evaluate loss recognition testing, evaluate risk, determine internal capital requirements, perform stress testing, and for other uses. These models rely on estimates and projections that are inherently uncertain and may not operate as intended, especially in unprecedented circumstances such as those surrounding the COVID-19 pandemic, or with respect to emerging risks, such as changing climatic conditions. In addition, from time to time we seek to improve certain models, and the conversion process may result in material changes to certain assumptions, which could impact our expectations about future returns and financial results. The models we employ are complex, which increases our risk of error in their design, implementation or use. Also, the associated input data, assumptions and calculations may not be correct or accurate, and the controls we have in place to mitigate that risk may not be effective in all cases. The risks related to our models may increase when we change assumptions and/or methodologies, or when we add or change modeling platforms. We have enhanced, and we intend to continue to enhance, our modeling capabilities. Moreover, we may use information we receive through enhancements to refine or otherwise change existing assumptions and/or methodologies.

We rely on our management team and our business could be harmed if we are unable to retain qualified personnel or successfully develop and/or recruit their replacements.

Our success depends, in part, on the skills, working relationships and continued services of our management team and other key personnel. The unexpected departure of key personnel could adversely affect the conduct of our business. In such event, we would be required to obtain other personnel to manage and operate our business. In addition, we will be required to replace the knowledge and expertise of our aging workforce as our workers retire. In either case, there can be no assurance that we would be able to develop or recruit suitable replacements for the departing individuals; that replacements could be hired, if necessary, on terms that are favorable to us; or that we can successfully transition such replacements in a timely manner. We currently have not entered into any employment agreements with our officers or key personnel. Volatility or lack of performance in our stock price may affect our ability to retain our key personnel or attract replacements should key personnel depart. Without a properly skilled and experienced workforce, our costs, including productivity costs and costs to replace employees may increase, and this could negatively impact our earnings.

In response to the COVID-19 pandemic, the Company activated its business continuity program by transitioning to a virtual workforce model with certain essential activities supported by limited staff in controlled office environments. This transition was made to responsibly provide for the safety of employees and to continue to serve customers across our businesses. We have established an interim succession plan for each of our key executives, should an executive be unable to perform his or her duties.

The mix of business we write affects our Minimum Required Assets under the PMIERs, our premium yields and the likelihood of losses occurring.

The Minimum Required Assets under the PMIERs are, in part, a function of the direct risk-in-force and the risk profile of the loans we insure, considering LTV ratio, credit score, vintage, Home Affordable Refinance Program ("HARP") status and delinquency status; and whether the loans were insured under lender-paid mortgage insurance policies or other policies that are not subject to automatic termination consistent with the Homeowners Protection Act requirements for borrower-paid mortgage insurance. Therefore, if our direct risk-in-force increases through increases in NIW, or if our mix of business changes to include loans with higher LTV ratios or lower FICO scores, for example, all other things equal, we will be required to hold more Available Assets in order to maintain GSE eligibility.

The minimum capital required by the risk-based capital framework contained in the exposure draft released by the NAIC in December 2019 would be, in part, a function of certain loan and economic factors, including property location, LTV ratio and credit score; general underwriting quality in the market at the time of loan origination; the age of the loan; and the premium rate we charge. Depending on the provisions of the capital requirements when they are released in final form and become effective, our mix of business may affect the minimum capital we are required to hold under the new framework.

The percentage of our NIW from all single-premium policies was 9% in the first quarter of 2021 and 9% in 2020 and has ranged from approximately 9% in 2020 and 2021 to 19% in 2017. Depending on the actual life of a single premium policy and its premium rate relative to that of a monthly premium policy, a single premium policy may generate more or less premium than a monthly premium policy over its life.

As discussed in our risk factor titled "*Reinsurance may not always be available or affordable,"* we have in place various QSR transactions. Although the transactions reduce our premiums, they have a lesser impact on our overall results, as losses ceded under the transactions reduce our losses incurred and the ceding commissions we receive reduce our underwriting expenses. The effect of the QSR transactions on the various components of pre-tax income will vary from period to period, depending on the level of ceded losses. We also have in place various excess-of-loss ("XOL") reinsurance transactions, under which we cede premiums. Under the XOL reinsurance transactions, for the respective reinsurance coverage periods, we retain the first layer of aggregate losses, and a special purpose entity provides second layer coverage up to the outstanding reinsurance coverage amount.

In addition to the effect of reinsurance on our premiums, we expect a decline in our premium yield because an increasing percentage of our insurance in force is from recent book years whose premium rates had been trending lower.

Our ability to rescind insurance coverage became more limited for new insurance written beginning in mid-2012, and it became further limited for new insurance written under our revised master policy that became effective March 1, 2020. These limitations may result in higher losses than would be the case under our previous master policies. In addition, our rescission rights temporarily have become more limited due to accommodations we have made in connection with the COVID-19 pandemic. We have waived our rescission rights in certain circumstances where the failure to make payments was associated with a COVID-19 pandemic-related forbearance.

From time to time, in response to market conditions, we change the types of loans that we insure. We also may change our underwriting guidelines, in part by agreeing with certain approval recommendations from a GSE automated underwriting system. We also make exceptions to our underwriting requirements on a loan-by-loan basis and for certain customer programs. Our underwriting requirements are available on our website at http://www.mgic.com/underwriting/index.html.

Even when home prices are stable or rising, mortgages with certain characteristics have higher probabilities of claims. As of March 31, 2021, mortgages with these characteristics in our primary risk in force included mortgages with LTV ratios greater than 95% (14.5%), mortgages with borrowers having FICO scores below 680 (8.9%), including those with borrowers having FICO scores of 620-679 (7.5%), mortgages with limited underwriting, including limited borrower documentation (1.3%), and mortgages with borrowers having DTI ratios greater than 45% (or where no ratio is available) (13.4%), each attribute as determined at the time of loan origination. Loans with more than one of these attributes accounted for 2.5% of our primary risk in force as of March 31, 2021, and less than one percent of our NIW in the first quarter of 2021 and in 2020.

From time to time, we change the processes we use to underwrite loans. For example, we may rely on information provided to us by a lender that was obtained from certain of the GSEs' automated appraisal and income verification tools. Those tools may produce results that differ from the results that would have determined using different methods. For example, the appraisal tools may indicate property values that differ from the values that would have been determined by onsite appraisals. In addition, we continue to further automate our underwriting processes. It is possible that our automated processes result in our insuring loans that we would not otherwise have insured under our prior processes. In addition, the number of refinance loans receiving appraisal waivers from the GSEs increased significantly beginning in 2020 and temporary policies adopted by the GSEs in response to COVID-19, which we follow, allow for property valuations in certain transactions to be based on appraisals that do not involve an onsite or interior property inspection of the property. Our acceptance of GSE appraisal waivers and appraisal flexibilities may affect our pricing and risk assessment.

Approximately 69.4% of our first quarter 2021 NIW and 70.2% of our 2020 NIW (by risk written) was originated under delegated underwriting programs pursuant to which the loan originators had authority on our behalf to underwrite the loans for our mortgage insurance. For loans originated through a delegated underwriting program, we depend on the originators' compliance with our guidelines and rely on the originators' representations that the loans being insured satisfy the underwriting guidelines, eligibility criteria and other requirements. While we have established systems and processes to monitor whether certain aspects of our underwriting guidelines were being followed by the originators, such systems may not ensure that the guidelines were being strictly followed at the time the loans were originated.

The widespread use of risk-based pricing systems by the private mortgage insurance industry (discussed in our risk factor titled *"Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses"*) makes it more difficult to compare our premium rates to those offered by our competitors. We may not be aware of industry rate changes until we observe that our mix of new insurance written has changed and our mix may fluctuate more as a result.

If state or federal regulations or statutes are changed in ways that ease mortgage lending standards and/or requirements, or if lenders seek ways to replace business in times of lower mortgage originations, it is possible that more mortgage loans could be originated with higher risk characteristics than are currently being originated, such as loans with lower FICO scores and higher DTI ratios. Lenders could pressure mortgage insurers to insure such loans, which are expected to experience higher claim rates. Although we attempt to incorporate these higher expected claim rates into our underwriting and pricing models, there can be no assurance that the premiums earned and the associated investment income will be adequate to compensate for actual losses even under our current underwriting requirements.

Our holding company debt obligations materially exceed our holding company cash and investments.

At March 31, 2021, we had approximately $802 million in cash and investments at our holding company and our holding company’s debt obligations were $1.1 billion in aggregate principal amount, consisting of $242 million of 5.75% Senior Notes due in 2023 ("5.75% Notes"), $650 million of 5.25% Senior Notes due 2028 (the 5.25% Notes), and $209 million of 9% Convertible Junior Subordinated Debentures due in 2063 ("9% Debentures"). Annual debt service on the 5.75% Notes, 5.25% Notes and 9% Debentures outstanding as of March 31, 2021, is approximately $70 million.

The 5.75% Senior Notes, 5.25% Senior Notes and 9% Debentures are obligations of our holding company, MGIC Investment Corporation, and not of its subsidiaries. The payment of dividends from our insurance subsidiaries which, other than investment income and raising capital in the public markets, is the principal source of our holding company cash inflow, is restricted by insurance regulation. In addition, through June 30, 2021, dividends paid by MGIC to our holding company require GSE approval. MGIC is the principal source of dividends, and in the first quarter of 2020, it paid a total of $390 million in dividends of cash and investments to our holding company. We ask the OCI not to object before MGIC pays dividends and, due to the uncertainty surrounding the COVID-19 pandemic, MGIC did not pay a dividend of cash and/or investment securities to the holding company after the first quarter of 2020; however, in the third quarter of 2020, MGIC distributed to the holding company, as a dividend, its ownership in $133 million of the 9% Debentures, with a fair value of $167 million. Future dividend payments from MGIC to the holding company will be determined on a quarterly basis in consultation with the board of directors, and after considering any updated estimates about the length and severity of the economic impacts of the COVID-19 pandemic on our business.

In 2020, we issued the 5.25% Senior Notes and used a portion of the proceeds to repurchase $183 million of our 5.75% Senior Notes and $48 million of our 9% Debentures. We may, from time to time, repurchase our debt obligations on the open market (including through 10b5-1 plans) or through privately negotiated transactions.

In 2020 we repurchased approximately 9.6 million shares of our common stock, using approximately $120 million of holding company resources. As of March 31, 2021, we had $291 million of authorization remaining to repurchase our common stock through the end of 2021 under a share repurchase program approved by our Board of Directors in January 2020. Repurchases may be made from time to time on the open market (including through 10b5-1 plans) or through privately negotiated transactions. The repurchase program may be suspended for periods or discontinued at any time. Due to the uncertainty caused by the COVID-19 pandemic, we had temporarily suspended stock repurchases but may resume them in the future. If any additional capital contributions to our subsidiaries were required, such contributions would decrease our holding company cash and investments. As described in our Current Report on Form 8-K filed with the SEC on February 11, 2016, MGIC borrowed $155 million from the Federal Home Loan Bank of Chicago. This is an obligation of MGIC and not of our holding company.

Your ownership in our company may be diluted by additional capital that we raise or if the holders of our outstanding convertible debt convert that debt into shares of our common stock.

As noted above under our risk factor titled *“We may not continue to meet the GSEs’ private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility,”* although we are currently in compliance with the requirements of the PMIERs, there can be no assurance that we would not seek to issue additional debt capital or to raise additional equity or equity-linked capital to manage our capital position under the PMIERs or for other purposes. Any future issuance of equity securities may dilute your ownership interest in our company. In addition, the market price of our common stock could decline as a result of sales of a large number of shares or similar securities in the market or the perception that such sales could occur.

At March 31, 2021, we had outstanding $209 million principal amount of 9% Debentures. The principal amount of the 9% Debentures is currently convertible, at the holder's option, at a conversion rate, which is subject to adjustment, of 75.5932 common shares per $1,000 principal amount of debentures. This represents a conversion price of approximately $13.23 per share. The payment of dividends by our holding company results in an adjustment to the conversion rate and price, with such adjustment generally deferred until the end of the year.

We may redeem the 9% Debentures in whole or in part from time to time, at our option, at a redemption price equal to 100% of the principal amount of the 9% Debentures being redeemed, plus any accrued and unpaid interest, if the closing sale price of our common stock exceeds $17.20 for at least 20 of the 30 trading days preceding notice of the redemption. We have the right, and may elect, to defer interest payable under the 9% Debentures in the future. If a holder elects to convert its 9% Debentures, the interest that has been deferred on the 9% Debentures being converted is also convertible into shares of our common stock. The conversion rate for such deferred interest is based on the average price that our shares traded at during a 5-day period immediately prior to the election to convert the associated debentures. We may elect to pay cash for some or all of the shares issuable upon a conversion of the debentures. For more information about the 9% Debentures, including additional requirements resulting from the deferral of interest, see Note 7 – "Debt" to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020.

For a discussion of the dilutive effects of our convertible securities on our earnings per share, see Note 6 – "Earnings Per Share" to our consolidated financial statements in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. As noted above, we repurchased shares of our common stock in 2020 and may do so again in the future. In addition, we repurchased a portion of our debt obligations in 2020 and may do so again in the future.

The price of our common stock may fluctuate significantly, which may make it difficult for holders to resell common stock when they want or at a price they find attractive.

The market price for our common stock may fluctuate significantly. In addition to the risk factors described herein, the following factors may have an adverse impact on the market price for our common stock: changes in general conditions in the economy, the mortgage insurance industry or the financial markets; announcements by us or our competitors of acquisitions or strategic initiatives; our actual or anticipated quarterly and annual operating results; changes in expectations of future financial performance (including incurred losses on our insurance in force); changes in estimates of securities analysts or rating agencies; actual or anticipated changes in our share repurchase program or dividends; changes in operating performance or market valuation of companies in the mortgage insurance industry; the addition or departure of key personnel; changes in tax law; and adverse press or news announcements affecting us or the industry. In addition, ownership by certain types of investors may affect the market price and trading volume of our common stock. For example, ownership in our common stock by investors such as index funds and exchange-traded funds can affect the stock's price when those investors must purchase or sell our common stock because the investors have experienced significant cash inflows or outflows, the index to which our common stock belongs has been rebalanced, or our common stock is added to and/or removed from an index (due to changes in our market capitalization, for example).

We could be adversely affected if personal information on consumers that we maintain is improperly disclosed, our information technology systems are damaged or their operations are interrupted, or our automated processes do not operate as expected.

As part of our business, we maintain large amounts of personal information of consumers. Federal and state laws designed to promote the protection of such information require businesses that collect or maintain consumer information to adopt information security programs, and to notify individuals, and in some jurisdictions, regulatory authorities, of security breaches involving personally identifiable information. Those laws may require free credit monitoring services to be provided to individuals affected by security breaches. While we believe we have appropriate information security policies and systems to prevent unauthorized disclosure, there can be no assurance that unauthorized disclosure, either through the actions of third parties or employees, will not occur. Unauthorized disclosure could adversely affect our reputation, result in a loss of business and expose us to material claims for damages.

We rely on the efficient and uninterrupted operation of complex information technology systems. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including by third-party cyber-attacks. Due to our reliance on information technology systems, including ours and those of our customers and third-party service providers, their damage or interruption could severely disrupt our operations, which could have a material adverse effect on our business, business prospects and results of operations.

In response to the COVID-19 pandemic, the Company activated its business continuity program by transitioning to a virtual workforce model with certain essential activities supported by limited staff in controlled office environments. While we continue to maintain our full operations, the virtual workforce model may be more vulnerable to security breaches, damage or disruption.

We are in the process of upgrading certain of our information systems, and transforming and automating certain of our business processes, that have been in place for a number of years and we continue to deploy and enhance our risk-based pricing system. The implementation of these technological and business process improvements, as well as their integration with customer and third-party systems when applicable, is complex, expensive and time consuming. If we fail to timely and successfully implement and integrate the new technology systems, if the third party providers to which we are becoming increasingly reliant do not perform as expected, or if the systems and/or transformed and automated business processes do not operate as expected, it could have an adverse impact on our business, business prospects and results of operations.

Our success depends, in part, on our ability to manage risks in our investment portfolio.

Our investment portfolio is an important source of revenue and is our primary source of claims paying resources. Although our investment portfolio consists mostly of highly-rated fixed income investments, our investment portfolio is affected by general economic conditions and tax policy, which may adversely affect the markets for credit and interest-rate-sensitive securities, including the extent and timing of investor participation in these markets, the level and volatility of interest rates and credit spreads and, consequently, the value of our fixed income securities. The value of our investment portfolio may also be adversely affected by ratings downgrades, increased bankruptcies and credit spreads widening in distressed industries, such as energy, lodging and leisure, autos, transportation and retail. In addition, the collectability and valuation of our municipal bond portfolio may be adversely affected if state and local municipalities incur increased costs to respond to COVID-19 and receive fewer tax revenues due to adverse economic conditions. Our investment portfolio also includes commercial mortgage-backed securities, collateralized loan obligations, and asset-backed securities, which could be adversely affected by declines in real estate valuations and/or financial market disruption, including a heightened collection risk on the underlying loans. As a result of these matters, we may not achieve our investment objectives and a reduction in the market value of our investments could have an adverse effect on our liquidity, financial condition and results of operations.

For the significant portion of our investment portfolio that is held by MGIC, to receive full capital credit under insurance regulatory requirements and under the PMIERs, we generally are limited to investing in investment grade fixed income securities whose yields reflect their lower credit risk profile. Our investment income depends upon the size of the portfolio and its reinvestment at prevailing interest rates. A prolonged period of low investment yields would have an adverse impact on our investment income as would a decrease in the size of the portfolio.

We structure our investment portfolio to satisfy our expected liabilities, including claim payments in our mortgage insurance business. If we underestimate our liabilities or improperly structure our investments to meet these liabilities, we could have unexpected losses resulting from the forced liquidation of fixed income investments before their maturity, which could adversely affect our results of operations.

The Company may be adversely impacted by the transition from LIBOR as a reference rate.

The United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that after 2021 it would no longer publish one-week and two-month tenor USD LIBOR and that after June 30, 2023, it would no longer publish all other USD LIBOR tenors. Efforts are underway to identify and transition to a set of alternative reference rates. The set of alternative rates includes the Secured Overnight Financing Rate ("SOFR"), which the Federal Reserve Bank of New York began publishing in 2018. Because SOFR is calculated based on different criteria than LIBOR, SOFR and LIBOR may diverge.

While it is not currently possible to determine precisely whether, or to what extent, the replacement of LIBOR would affect us, the implementation of alternative benchmark rates to LIBOR may have an adverse effect on our business, results of operations or financial condition. We have three primary types of transactions that involve financial instruments referencing LIBOR. First, as of March 31, 2021, approximately 6% of the fair value of our investment portfolio consisted of securities referencing LIBOR, none of which reference one-week and two-month tenors. Second, as of December 31, 2020, approximately $0.8 billion of our risk in force was on adjustable rate mortgages whose interest is referenced to one-month USD LIBOR. A change in reference rate associated with these loans may affect their principal balance, which may affect our risk-in-force and the amount of Minimum Required Assets we are required to maintain under PMIERs. A change in reference rate may also affect the amount of principal and/or accrued interest we are required to pay in the event of a claim payment. Third, we enter into reinsurance agreements under which our premiums are determined, in part, by the difference between interest payable on the reinsurers' notes which reference one-month USD LIBOR and earnings from a pool of securities receiving interest that may reference LIBOR (in 2020, our total premiums on such transactions were approximately $20.8 million).