FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended December 31, 2002

OR

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

For the transition period from ____________ to ________________

Commission file number 1-10816

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

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

MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin	53202
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Title of Class: None

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes X No

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2002: $7.0 billion*

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of February 15, 2003: 99,243,731.

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

Document	Part and Item Number of Form 10-K Into Which Incorporated*
1. Information from 2002 Annual Report to Shareholders (for Fiscal Year Ended December 31, 2002)	Item 1 of Part I Items 5 through 8 of Part II
2. Proxy Statement for the 2003 Annual Meeting of Shareholders	Item 5 of Part II Items 10 through 13 of Part III

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

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

Part I

Item 1. Business.

A. General

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

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

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

B. The MGIC Book

Types of Product

In general, there are two principal types of private mortgage insurance: "primary" and "pool."

Primary Insurance. Primary insurance provides mortgage default protection on individual loans and covers unpaid loan principal, delinquent interest and certain expenses associated with the default and subsequent foreclosure (collectively, the "claim amount"). The insurer generally pays the coverage percentage of the claim amount specified in the primary policy, but has the option to pay 100% of the claim amount and acquire title to the property. The claim amount averages about 115% of the unpaid principal balance of the loan. Primary insurance generally applies to owner occupied, first mortgage loans on one-to-four family homes, including condominiums. Primary coverage can be used on any type of residential mortgage loan instrument approved by the mortgage insurer. References in this document to amounts of insurance written or in force, risk written or in force and other historical data related to MGIC's insurance refer only to direct (before giving effect to reinsurance) primary insurance, unless otherwise indicated. References in this document to "primary insurance" include insurance written in bulk transactions (see "Bulk Transactions" below) that is supplemental to mortgage insurance written in connection with the origination of the loan. Effective with the third quarter of 2001, in reports by private mortgage insurers to the trade association for the private mortgage insurance industry, mortgage insurance that is supplemental to other mortgage insurance is classified as pool insurance. The trade association classification is used by members of the private mortgage insurance industry in reports to a mortgage industry publication that computes and publishes primary market share information.

The following table shows, on a direct basis, primary insurance in force (the unpaid principal balance of insured loans as reflected in MGIC's records) and primary risk in force (the coverage percentage applied to the unpaid principal balance and for risk in force as of December 31, 2000 - 2002, taking into account any loss limit that is applicable to a portfolio or group of insured loans), for insurance that has been written by MGIC (the "MGIC Book") as of the dates indicated:

Primary Insurance and Risk In Force

	December 31,				
	2002	2001	2000	1999	1998
	(In millions of dollars)				
Direct Primary Insurance In Force.........	$196,988	$183,904	$160,192	$147,607	$137,990
Direct Primary Risk In Force(1)...........	$ 47,623	$ 42,678	$ 39,090	$ 35,623	$ 32,891

(1) Net of aggregate loss limits for 2002, 2001 and 2000. Aggregate loss limits for years prior to 2000 are immaterial and are not reflected.

The coverage percentage provided by MGIC is determined by the lender. For loans sold by lenders to Fannie Mae or Freddie Mac, the coverage percentage must comply with the requirements established by the particular GSE to which the loan is delivered. Effective in the first quarter of 1995, Freddie Mac and Fannie Mae increased their coverage requirements for, among other loan types, 30-year fixed rate mortgages with loan-to-value ratios, determined at loan origination ("LTVs"), of 90.01-95.00% ("95s") from 25% coverage to 30% coverage and for such mortgages with LTVs of 85.01-90.00% ("90s") from 17% to 25%. During the first quarter of 1999, the GSEs changed their mortgage insurance requirements for fixed rate and certain other mortgages on owner occupied properties having terms greater than 20 years when the loan is approved by their automated underwriting services. Lenders may deliver these loans to the GSEs with the prior coverage requirements (30% for a 95 and 25% for a 90), or in the case of 95s, with either (i) 25% coverage or (ii) 18% coverage and the payment of a delivery fee to the GSE, and in the case of 90s, with either (i) 17% coverage or (ii) 12% coverage and the payment of a delivery fee to the GSE.

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

Coverage Categories as a Percentage of New Insurance Written

LTV/ Coverage	Year Ended December 31, 2002	2001	2000	1999	1998
95 / 30%	23.9%	26.5%	32.2%	32.0%	33.9%
90 / 25%	29.0%	29.7%	29.6%	34.7%	38.6%
Total	52.9%	56.2%	61.8%	66.7%	72.5%

The Company expects the aggregate percentage of its new insurance written with 95/30% and 90/25% coverage will continue to decline in response to the GSEs changed mortgage insurance requirements. The amount of 90s and 95s that MGIC insures as a percentage of its new insurance written is also affected by refinance activity, which generally involves loans with lower LTVs. Refinance activity was a higher percentage of new insurance written in 1998, 2001 and 2002 than in the other years shown in the table. The amount of 90s and 95s written through the bulk channel is substantially lower than insurance written through the flow channel. (MGIC's bulk business prior to 2000 was not significant.)

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

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

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

Under the federal Homeowners Protection Act (the "HPA") a borrower has the right to stop paying premiums for private mortgage insurance on loans closed after July 28, 1999 secured by a property comprised of one dwelling unit that is the borrower's primary residence when certain LTV ratio thresholds determined by the value of the home at loan origination and other requirements are met. In general, a borrower may stop making mortgage insurance payments when the LTV ratio is scheduled to reach 80% (based on the loan's amortization schedule established at loan origination) if the borrower so requests and if certain requirements relating to the borrower's payment history and the absence of junior liens and a decline in the property's value since origination are satisfied. In addition, a borrower's obligation to make payments for private mortgage insurance generally terminates regardless of whether a borrower so requests when the LTV ratio reaches 78% of the unpaid principal balance of the mortgage and the borrower is (or thereafter becomes) current in his mortgage payments. A borrower's right to stop paying for private mortgage insurance applies only to borrower paid mortgage insurance. The HPA requires that lenders give borrowers certain notices with regard to the cancellation of private mortgage insurance.

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

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

When a borrower refinances an MGIC-insured mortgage loan by paying it off in full with the proceeds of a new mortgage, the insurance on that existing mortgage is cancelled, and insurance on the new mortgage is considered to be new primary insurance written. Therefore, continuation of MGIC's coverage from a refinanced loan to a new loan results in both a cancellation of insurance and new insurance written. The percentage of primary risk written with respect to loans representing refinances was 43.8% in 2002 compared to 43.7% in 2001 and 18.0% in 2000.

In addition to varying with the coverage percentage, MGIC's premium rates vary depending upon the perceived risk of a claim on the insured loan and, thus, take into account the LTV, the loan type (fixed payment versus non-fixed payment) and mortgage term and, for A- and subprime loans, the location of the borrower's credit score within a range of credit scores. In general, A- loans have FICO scores between 575 and 619 and subprime loans have FICO credit scores of less than 575.

Premium rates cannot be changed after the issuance of coverage. Because the Company believes that over the long term each region of the United States is subject to similar factors affecting risk of loss on insurance written, MGIC generally utilizes a nationally based, rather than a regional or local, premium rate policy.

The borrower's mortgage loan instrument may require the borrower to pay the mortgage insurance premium ("borrower paid mortgage insurance") or there may be no such requirement imposed on the borrower, in which case the premium is paid by the lender, who may recover the premium through an increase in the note rate on the mortgage ("lender paid mortgage insurance"). Almost all of MGIC's primary insurance in force and new insurance written, other than through bulk transactions, is borrower paid mortgage insurance. New insurance written through bulk transactions is generally paid by the securitization vehicles that hold the mortgages; the mortgage note rate generally does not reflect the premium for the mortgage insurance.

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

During each of the last three years, the monthly premium plan represented more than 90% of MGIC's new insurance written. The annual premium plan represented substantially all of the remaining new insurance written.

Pool Insurance. Pool insurance is generally used as an additional "credit enhancement" for certain secondary market mortgage transactions. Pool insurance generally covers the loss on a defaulted mortgage loan which exceeds the claim payment under the primary coverage, if primary insurance is required on that mortgage loan, as well as the total loss on a defaulted mortgage loan which did not require primary insurance, in each case up to a stated aggregate loss limit.

During the first quarter of 1997, the Company began writing pool insurance generally covering fixed-rate, 30-year mortgage loans delivered to Freddie Mac and Fannie Mae ("agency pool insurance"). The aggregate loss limit on agency pool insurance generally does not exceed 1% of the aggregate original principal balance of the mortgage loans in the pool. New pool risk written during 2002 was $674 million and was $412 million in 2001. New pool risk written during these years was comprised of agency pool insurance, risk associated with loans delivered to the Federal Home Loan Banks under their mortgage purchase programs and risk associated with loans made under state housing finance programs. Net (giving effect to external reinsurance) MGIC Book pool risk in force at December 31, 2002 was $2.4 billion compared to $1.8 billion and $1.5 billion at December 31, 2001 and 2000, respectively. The risk amounts referred to above are contractual aggregate loss limits and, for the year ended December 31, 2002, for $3.0 billion of risk without such limits, risk calculated at $276 million for new risk written and $274 million for risk in force, representing the estimated amount that would credit enhance these loans to a 'AA' level.

For a discussion of litigation brought as a nationwide class action alleging that MGIC violated the Real Estate Settlement Procedures Act ("RESPA") by providing agency pool insurance and entering into other transactions with lenders that were not properly priced (the "RESPA Litigation"), see Item 3 "Legal Proceedings." The settlement of the RESPA Litigation, which was approved by the District Court in June 2001 but which has been challenged through an appeal of a related order, includes an injunction that specifies the basis on which agency pool insurance may be provided in compliance with RESPA. There can be no assurance that the standards established by the injunction will be determinative of compliance with RESPA were additional litigation to be brought in the future.

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

Risk Sharing Arrangements. MGIC's products include risk sharing arrangements with the GSEs and captive mortgage reinsurance in which an affiliate of a lender reinsures a portion of the risk on loans originated or purchased by the lender which have MGIC primary insurance. During the nine months ended September 30, 2002, about 53% of MGIC's new insurance written on a flow basis was subject to risk sharing arrangements compared to 50% for the year ended December 31, 2001. (New insurance written through the bulk channel is not subject to such arrangements.) The percentage of new insurance written during a quarter covered by such arrangements normally increases after the end of the quarter because, among other reasons, the transfer of a loan in the secondary market can result in a mortgage insured during a quarter becoming part of such an arrangement in a subsequent quarter. Therefore, the percentage of new insurance written covered by such arrangements is shown only for the nine months ended September 30, 2002. The complaint in the RESPA Litigation alleges that MGIC pays "inflated" captive mortgage reinsurance premiums in violation of RESPA. The settlement includes an injunction that specifies the basis on which captive mortgage reinsurance may be provided in compliance with RESPA. There can be no assurance that the standards established by the injunction will be determinative of compliance with RESPA were additional litigation to be brought in the future.

A substantial portion of the Company's captive mortgage reinsurance arrangements are structured on an excess of loss basis. The Company has decided that, effective March 31, 2003, it will not participate in excess of loss risk sharing arrangements with net premium cessions in excess of 25% on terms which are generally present in the market. The captive mortgage reinsurance programs of larger lenders generally are not consistent with the Company's position. Hence, the Company expects its position with respect to such risk sharing arrangements will result in a reduction in business from some of these lenders. See "The MGIC Book-Customers."

External Reinsurance. At December 31, 2002, disregarding reinsurance under captive structures, less than 3% of MGIC's insurance in force was externally reinsured. Reinsuring against possible loan losses does not discharge MGIC from liability to a policyholder; however, the reinsurer agrees to indemnify MGIC for the reinsurer's share of losses incurred.

Bulk Transactions. Primary insurance may be written on a flow basis, in which loans are insured in individual, loan-by-loan transactions, or may be written on a bulk basis, in which a portfolio of loans is insured in a single, bulk transaction. Generally, in bulk transactions, the individual loans in the insured portfolio are insured to specified levels of coverage and there may be an aggregate loss limit applicable to all of the insured loans. The premium in a bulk transaction is based on the mortgage insurer's evaluation of the overall risk of the insured loans included in the transaction and is negotiated with the securitizer or other owner of the loans.

In general, the loans insured by MGIC in bulk transactions consist of Alt A loans; jumbo loans with FICO credit scores of at least 700; A- loans; and subprime loans. Alt A loans meet the conforming loan limit referred to below and have FICO credit scores of at least 620, which is viewed as the cut-off for prime quality loans, but do not meet the standard underwriting requirements of the GSEs because of reduced documentation or other factors, such as in a refinance transaction exceeding a specified increase in the amount of the mortgage debt due to cash being paid to the borrower. A jumbo loan has an unpaid principal balance that exceeds the conforming loan limit. The conforming loan limit is the maximum unpaid principal amount of a mortgage loan that can be purchased by the GSEs. The conforming loan limit is subject to annual adjustment, and for mortgages covering a home with one dwelling unit is $322,700 for 2003 and was $300,700 in 2002 and $275,000 in 2001. A- loans have FICO scores between 575 and 619 and subprime loans have FICO credit scores of less than 575.

Approximately 55% of MGIC's bulk loan risk in force at December 31, 2002 had FICO credit scores of at least 620. Approximately 27% of MGIC's bulk loan risk in force at December 31, 2002 had A- FICO credit scores, and approximately 18% had subprime credit scores. Most of the subprime loans insured by MGIC in 2002 were insured in bulk transactions. More than half of MGIC's bulk loan risk in force at December 31, 2002 had LTV ratios of 80% and below.

New insurance written for bulk transactions was $22.5 billion during 2002 compared to $25.7 billion for 2001 and $7.0 billion for 2000. The Company's writings of bulk insurance are in part sensitive to the volume of securitization transactions involving non-conforming loans. A securitization involves the sale of whole loans held by the securitizer. The Company believes that the relatively high historical spread between the cost of funding mortgages and mortgage coupon rates during portions of the second half of 2002 resulted in increased prices for whole loans which had the effect of reducing the supply of mortgages available for current securitization. The Company's writings of bulk insurance are also sensitive to competition from other methods of providing credit enhancement in a securitization, including the willingness of investors to purchase tranches of the securitization with a higher degree of credit risk.

Customers

Originators of residential mortgage loans such as mortgage bankers, savings institutions, commercial banks, mortgage brokers, credit unions and other lenders have historically determined the placement of mortgage insurance written on flow basis and as a result are the customers of MGIC. To obtain primary insurance from MGIC written on flow basis, a mortgage lender must first apply for and receive a mortgage guaranty master policy ("Master Policy") from MGIC. MGIC had approximately 12,900 master policyholders at December 31, 2002 (not including policies issued to branches and affiliates of large lenders). In 2002, MGIC issued coverage on mortgage loans for approximately 4,800 of its master policyholders. MGIC's top 10 customers generated 39.5% of its new insurance written on a flow basis in 2002, compared to 38.4% in 2001, 36.2% in 2000 and 20.0% in 1996.

Sales and Marketing and Competition

Sales and Marketing. MGIC sells its insurance products through its own employees, located throughout the United States. At December 31, 2002, MGIC had 30 underwriting centers located in 21 states and in Puerto Rico.

Competition. For flow business, MGIC and other private mortgage insurers compete directly with federal and state governmental and quasi-governmental agencies, principally the FHA and, to a lesser degree, the Veterans Administration ("VA"). These agencies sponsor government-backed mortgage insurance programs, which during 2002 accounted for approximately 36% (compared to approximately 37% during 2001) of the total low down payment residential mortgages which were subject to governmental or private mortgage insurance. See "Regulation, Indirect Regulation" below. Loans insured by the FHA cannot exceed maximum principal amounts which are determined by a percentage of the conforming loan limit. For 2003, the maximum FHA loan amount for homes with one dwelling unit in "high cost" areas is as high as $280,749 and was as high as $261,609 in 2002 and $239,250 in 2001. Loans insured by the VA do not have mandated maximum principal amounts but have maximum limits on the amount of the guaranty provided by the VA to the lender. For loans closed after December 27, 2001 the maximum VA guarantee is $60,000.

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

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

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

MGIC and other mortgage insurers also compete with transactions structured to avoid mortgage insurance on low down payment mortgage loans. Such transactions include self-insuring, and "80-10-10" loans, which are loans comprised of both a first and a second mortgage (for example, an 80% LTV first mortgage and a 10% LTV second mortgage), with the LTV ratio of the first mortgage below what investors require for mortgage insurance, compared to a loan in which the first mortgage covers the entire borrowed amount (which in the preceding example would be a 90% LTV mortgage). Captive mortgage reinsurance and similar transactions also result in mortgage originators receiving a portion of the premium and the risk.

The private mortgage insurance industry currently consists of eight active mortgage insurers and their affiliates; one of the eight is a joint venture in which a mortgage insurer is one of the joint venturers. The names of these mortgage insurers are listed in "Management's Discussion and Analysis--Risk Factors" in Exhibit 13 to this Annual Report on Form 10-K. According to Inside Mortgage Finance, a mortgage industry publication, which obtains its data from reports to it by MGIC and other mortgage insurers that are to be prepared on the same basis as the reports by insurers to the trade association for the private mortgage insurance industry, for 1995 and subsequent years, MGIC has been the largest private mortgage insurer based on new primary insurance written (with a market share of 24.8% in 2002, 25.0% in 2001 and 24.5% in 2000) and at December 31, 2001, MGIC also had the largest book of direct primary insurance in force. Effective with the third quarter of 2001, these reports do not include as "primary mortgage insurance" insurance on certain loans classified by MGIC as primary insurance, such as loans insured through bulk transactions that already had mortgage insurance placed on the loans at origination.

The private mortgage insurance industry is highly competitive. The Company believes it competes with other private mortgage insurers for flow business principally on the basis of programs involving captive mortgage reinsurance (as discussed under "Risk Sharing Arrangements" above, effective March 31, 2003, MGIC will not participate in excess of loss risk sharing arrangements with net premium cessions in excess of 25% on terms which are generally present in the market), agency pool insurance, and other similar structures involving lenders; the provision of contract underwriting and related fee-based services to lenders; the provision of other products and services that meet lender needs for underwriting risk management, affordable housing, loss mitigation, capital markets and training support; the strength of MGIC's management team and field organization; and the effective use of technology and innovation in the delivery and servicing of MGIC's insurance products. The Company believes MGIC's additional competitive strengths, compared to other private insurers, are its customer relationships, name recognition, reputation and the depth of its database covering loans it has insured. The Company believes it competes for bulk business principally on the basis of the premium rate and the portion of loans submitted for insurance that the Company is willing to insure.

The complaint in the RESPA Litigation alleges, among other things, that captive mortgage reinsurance, agency pool insurance, and contract underwriting as provided by the Company violate

RESPA. The settlement includes an injunction that specifies the basis on which these products and services may be provided in compliance with RESPA. There can be no assurance that the standards established by the injunction will be determinative of compliance with RESPA were additional litigation to be brought in the future.

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

In the third quarter of 2001, the Office of Federal Housing Enterprise Oversight ("OFHEO") adopted a risk-based capital stress test for the GSEs, which was amended in February 2002. One of the elements of the stress test is that future claim payments made by a private mortgage insurer on GSE loans are reduced below the amount provided by the mortgage insurance policy to reflect the risk that the insurer will fail to pay. Claim payments from an insurer whose claims-paying ability rating is 'AAA' are subject to a 3.5% reduction over the 10-year period of the stress test, while claim payments from a 'AA' rated insurer, such as MGIC, are subject to a 8.75% reduction. The effect of the differentiation among insurers is to require the GSEs to have additional capital for coverage on loans provided by a private mortgage insurer whose claims-paying rating is less than 'AAA.' As a result, there is an incentive for the GSEs to use private mortgage insurance provided by a 'AAA' rated insurer.

Contract Underwriting and Related Services

The Company performs contract underwriting services for lenders in which the Company judges whether the data relating to the borrower and the loan contained in the lender's mortgage loan application file comply with the lender's loan underwriting guidelines. The Company also provides an interface to submit such data to the automated underwriting systems of the GSEs, which independently judge the data. These services are provided for loans that require private mortgage insurance as well as for loans that do not require private mortgage insurance. A material portion of the Company's new insurance written in recent years involved loans for which the Company provided contract underwriting services. The complaint in the RESPA Litigation alleges, among other things, that the pricing of contract underwriting provided by the Company violates RESPA. The settlement specifies the basis on which contract underwriting may be provided in compliance with RESPA. There can be no assurance that the standards established by the injunction will be determinative of compliance with RESPA were additional litigation to be brought in the future.

Risk Management

Risk Management Philosophy. MGIC's risk management philosophy has traditionally focused on evaluating four major elements of risk:

- Individual Loan and Borrower. Except to the extent its delegated underwriting program is being utilized or for loans approved by the automated underwriting services of the GSEs (see "Delegated Underwriting and GSE Automated Underwriting Approvals" below), MGIC evaluates insurance applications based on its analysis of the borrower's ability to repay the mortgage loan and the characteristics and value of the property. The analysis of the borrower includes reviewing the borrower's FICO credit score, as reported by credit reporting agencies, as well as the borrower's housing and total debt ratios. In the case of delegated underwriting, compliance with program parameters is monitored by periodic audits of delegated business.

- Geographic Market. MGIC places significant emphasis on the condition of the housing markets around the nation in determining its underwriting policies.

- Product. The type of mortgage instrument that the borrower selects and the purpose of the loan are important factors in MGIC's analysis of mortgage default risk. MGIC analyzes four general characteristics of the product to quantify this risk evaluation: (i) LTV ratio; (ii) type of loan instrument; (iii) type of property; and (iv) purpose of the loan. In addition to its underwriting guidelines (as referred to below), pricing is MGIC's principal method used to manage these risks. Loans with higher LTV ratios generally have a higher premium, as do instruments such as ARMs with an initial interest period of less than five years and loans with a maturity longer than fifteen years.

- Mortgage Lender. MGIC evaluates from time to time its major customers and the performance of their business which MGIC has insured.

The Company believes that, excluding other factors, the claim incidence for 95s is substantially higher than for 90s or loans with lower LTV ratios; for loans with LTVs greater than 95 (which include loans with LTVs of up to 103) is substantially higher than for 95s; for ARMs during a prolonged period of rising interest rates would be substantially higher than for fixed rate loans; for loans in which the original loan amount exceeds the conforming loan limit is higher than for loans where such amount is below the conforming loan limit; and for loans with lower FICO credit scores (which include subprime loans) is higher than for loans with higher FICO credit scores. MGIC charges higher premium rates to reflect the increased risk of claim incidence that it perceives is associated with a loan. However, there can be no assurance that MGIC's premium rates adequately reflect the increased risk, particularly in a period of economic recession.

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

As discussed under "GSE Automated Underwriting Approvals" below, a substantial percentage of the loans insured by MGIC through the flow channel are approved for mortgage insurance as a result of the approval of such loans by the automated underwriting services of the GSEs.

Underwriting Process. To obtain primary insurance on a specific mortgage loan for which delegated underwriting is not being used, a master policyholder typically submits an application to MGIC, supported by various documents, if required by MGIC. MGIC utilizes national underwriting guidelines to evaluate the potential risk of default on mortgage loans submitted for insurance coverage. These guidelines generally are consistent with Fannie Mae and Freddie Mac underwriting guidelines and take into account the applicable premium rates charged by MGIC and the loss experience of the private mortgage insurance industry, as well as the initiatives to expand home ownership opportunities undertaken by Fannie Mae and Freddie Mac. MGIC's underwriters have discretionary authority to insure loans which deviate in one or more respects from MGIC's underwriting guidelines. In most such cases, offsetting underwriting strengths must be identified.

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

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

Delegated Underwriting. Delegated underwriting is a program whereby approved lenders are allowed to commit MGIC to insure loans utilizing their MGIC-approved underwriting guidelines and underwriting evaluation. For delegated loans insured on a flow basis, while MGIC does not underwrite on a loan-by-loan basis the credit of the borrower, the value of the property, or other factors which it normally considers in its underwriting decision, it does audit on a regular basis a sample of the loans insured. Loans insured in bulk transactions are categorized as delegated underwritten loans. For these loans, the audit is conducted prior to the commitment for the insurance and includes other procedures for certain loans that are not audited.

At December 31, 2002, MGIC's delegated underwriting program involved approximately 519 lenders, including all of MGIC's top twenty customers. Loans insured under MGIC's delegated underwriting program accounted for approximately 47.8% of MGIC's total risk in force at December 31, 2002. The percentage of new risk written by delegated underwriters increased to 54.9% in 2002 from 53.1% in 2001 (this increase is principally due to loans insured in bulk transactions) and was 46.8% in 2000.

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

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

GSE Automated Underwriting Approvals. Since 2000, loans approved by the automated underwriting services of the GSEs have been automatically approved for MGIC mortgage insurance and were generally insured at premium rates applicable to prime quality loans. MGIC observed that some of the loans approved by these services had higher risk than prime quality loans, and effective August 1, 2002, MGIC began charging A- minus premium rates for such loans with such risk characteristics. During 2002, approximately 60% of the loans insured by MGIC through the flow channel were approved as a result of loan approvals by the automated underwriting services of the GSEs. The loan approval criteria of those services are within the risk management discretion and control of the GSEs. As a result of accepting the loan approval decisions of these services, MGIC does not have the ability to control in advance the risk characteristics of such loans.

Past Industry Losses; Defaults; and Claims

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

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

The following table shows the number of primary and pool loans insured in the MGIC Book (including at December 31, 1999 - 2002, loans insured in bulk transactions and A- and subprime loans), the related number of loans in default and the percentage of loans in default (default rate) as of those dates:

Default Statistics for the MGIC Book

	December 31,				
	2002	2001	2000	1999	1998(1)
PRIMARY INSURANCE					
Insured loans in force	1,655,887	1,580,283	1,448,348	1,370,020	1,320,994
Loans in default	73,648	54,653	37,422	29,761	29,253
Percentage of loans in default (default rate)	4.45%	3.46%	2.58%	2.17%	2.21%
Flow loans in default	43,196	36,193	29,889	27,062	-
Percentage of flow loans in default (default rate) ...	3.19%	2.65%	2.19%	2.02%	-
Bulk loans in force	301,859	214,917	83,513	33,569	-
Bulk loans in default	30,452	18,460	7,533	2,699	-
Percentage of bulk loans in default (default rate) ...	10.09%	8.59%	9.02%	8.04%	-
A-minus and subprime loans in force(2)	201,195	134,888	64,086	36,599	-
A-minus and subprime loans in default(2)	25,504	15,649	6,126	2,706	-
Percentage of A-minus and subprime loans in default (default rate)	12.68%	11.60%	9.34%	7.39%	-
POOL INSURANCE					
Insured loans in force	1,208,157	1,351,266	1,360,059	1,181,512	899,063
Loans in default	26,676	23,623	18,209	11,638	6,524
Percentage of loans in default(default rate)	2.21%	1.75%	1.34%	0.99%	0.73%

(1) The information not separately presented at December 31, 1998 is not material.

(2) A portion of A-minus and subprime loans is included in the data for flow loans and the remainder is included in the data for bulk loans. Most A-minus and subprime credit loans are written through the bulk channel.

The default rate for flow loans has generally increased due to an increase in the risk profile of loans insured since 1998 and the continued maturation of MGIC's insurance in force. The default rate for bulk loans reflects the higher default rate associated with such loans. The default rate for bulk loans is expected to continue to increase. The number of pool insurance loans in force increased at December 31, 1998-2002 as a result of agency pool insurance writings, and the number of pool insurance loans in default at those dates increased due to the increase in pool insurance in force and the aging of the loans in the pools.

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

Default Rates for Primary Insurance By Region*

	Dec. 31 2002	Dec. 31 2001	Dec. 31 2000	Dec. 31 1999	Dec. 31 1998
MGIC REGION:					
New England............	2.91%	2.27%	1.84%	1.60%	1.78%
Northeast..............	4.74	3.90	3.15	3.02	3.05
Mid-Atlantic...........	4.05	3.27	2.69	2.19	2.28
Southeast..............	4.87	3.65	2.72	2.24	2.23
Great Lakes............	5.17	3.74	2.68	2.09	1.89
North Central..........	4.22	3.21	2.22	1.85	1.91
South Central..........	4.65	3.56	2.56	2.00	2.00
Plains.................	3.41	2.76	1.98	1.40	1.40
Pacific................	3.73	3.38	2.63	2.42	2.73
National............	4.45%	3.46%	2.58%	2.17%	2.21%

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

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

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

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

Claim activity is not evenly spread throughout the coverage period of a book of primary business. For prime loans, relatively few claims are received during the first two years following issuance of coverage on a loan. This is followed by a period of rising claims which, based on industry experience, has historically reached its highest level in the third through fifth years after the year of loan origination. Thereafter, the number of claims received has historically declined at a gradual rate, although the rate of decline can be affected by conditions in the economy, including lower housing price appreciation. There can be no assurance that this historical pattern of claims will continue in the future and due in part to the subprime component of loans insured in bulk transactions, MGIC expects that the peak claim period for bulk loans will occur earlier than for prime loans. Moreover, when a loan is refinanced, because the new loan replaces, and is a continuation of, an earlier loan, the pattern of claims frequency for that new loan may be different from the historical pattern of other loans. As of December 31, 2002, 82.4% of the MGIC Book primary insurance in force had been written during 1999 - 2002, although a portion of such insurance arose from the refinancing of earlier originations.

In addition to the increasing level of claim activity arising from the maturing of the MGIC Book, another important factor affecting MGIC Book losses is the amount of the average claim paid, which is generally referred to as claim severity. The main determinants of claim severity are the amount of the mortgage loan and coverage percentage on the loan. The average claim severity on the MGIC Book primary insurance was $20,115 for 2002 as compared to $18,607 in 2001.

Loss Reserves

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

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

The Company's reserving process is based upon the assumption that past experience, adjusted for the anticipated effect of current economic conditions and projected future economic trends, provides a reasonable basis for estimating future events. However, estimation of loss reserves is inherently judgmental. Economic conditions that have affected the development of the loss reserves in the past may not necessarily affect development patterns in the future, in either a similar manner or degree.

For a further information about loss reserves, see "Management's Discussion and Analysis-Results of Consolidated Operations-2002 Compared with 2001" and Note 6 to the consolidated financial statements of the Company, both of which are included in Exhibit 13 to this Annual Report on Form 10-K.

Geographic Dispersion

The following table reflects the percentage of primary risk in force in the top 10 states and top 10 metropolitan statistical areas ("MSAs") for the MGIC Book at December 31, 2001:

Dispersion of Primary Risk in Force

Top 10 States			Top 10 MSAs		
1.	California	12.0%	1.	Chicago	3.8%
2.	Florida	6.7	2.	Los Angeles	3.4
3.	Texas	6.1	3.	Atlanta	2.4
4.	Michigan	5.2	4.	Detroit	2.3
5.	Illinois	5.1	5.	Phoenix	2.2
6.	Ohio	4.7	6.	Washington, D.C.	2.1
7.	New York	4.1	7.	Boston	1.8
8.	Pennsylvania	3.8	8.	Riverside-San Bernardino	1.8
9.	Georgia	3.2	9.	Houston	1.7
10.	Arizona	2.8	10.	New York	1.5
	Total	53.7%		Total	23.1%

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

Insurance in Force by Policy Year

The following table sets forth the dispersion of MGIC's primary insurance in force as of December 31, 2002, by year(s) of policy origination since MGIC began operations in 1985:

Primary Insurance In Force by Policy Year

Policy Year	Primary Insurance in Force	Percent of Total
	(In millions of dollars)	
1985-1996	$ 16,526	8.4%
1997	4,830	2.4
1998	13,360	6.8
1999	14,159	7.2
2000	12,907	6.6
2001	57,528	29.2
2002	77,678	39.4
Total	$196,988	100.0%

Product Characteristics of Risk in Force

At December 31, 2002 and 2001, 94.9% and 95.6%, respectively, of MGIC's risk in force was primary insurance and the remaining risk in force was pool insurance. The following table reflects at the dates indicated the (i) total dollar amount of primary risk in force for the MGIC Book and (ii) percentage of such primary risk in force (as determined on the basis of information available on the date of mortgage origination) by the categories indicated.

Characteristics of Primary Risk in Force

	December 31, 2002	December 31, 2001
Direct Risk in Force (Dollars in Millions):.....	$47,623	$42,678
Lender Concentration:		
Top 10 lenders................................	28.0%	29.5%
Top 20 lenders................................	37.8%	39.7%
LTV: (1)		
100s..	8.5%	6.4%
95s...	36.9	40.6
90s(2)..	45.4	46.2
80s...	9.2	6.8
Total.....................................	100.0%	100.0%
Loan Type:		
Fixed(3)......................................	81.5%	85.3%
Adjustable rate mortgages ("ARMs")(4).........	17.8	13.9
Balloon(5)....................................	0.7	0.8
Total.....................................	100.0%	100.0%
Original Insured Loan Amount(6):		
Conforming loan limit and below...............	92.5%	91.0%
Non-conforming................................	7.5	9.0
Total.....................................	100.0%	100.0%
Mortgage Term:		
15-years and under............................	4.7%	3.9%
Over 15 years.................................	95.3	96.1
Total.....................................	100.0%	100.0%
Property Type:		
Single-family(7)..............................	93.8%	93.8%
Condominium...................................	6.0	5.9
Other(8)......................................	0.2	0.3
Total.....................................	100.0%	100.0%
Occupancy Status:		
Primary residence.............................	95.1%	96.2%
Second home...................................	1.7	1.7
Non-owner occupied............................	3.2	2.1
Total.....................................	100.0%	100.0%

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(1) Loan-to-value represents the ratio (expressed as a percentage) of the dollar amount of the mortgage loan to the value of the property at the time the loan became insured. For purposes of the table, LTV ratios are classified as in excess of 95% ("100s", a classification that includes 97% to 103% LTV loans); in excess of 90% LTV and up to 95% LTV ("95s"); in excess of 80% LTV and up to 90% LTV ("90s"); and equal to or less than 80% LTV ("80s").

(2) MGIC includes in its classification of 90s, loans where the borrower makes a down payment of 10% and finances the associated mortgage insurance premium payment as part of the mortgage loan. At December 31, 2002 and 2001, 2.0% and 2.4%, respectively, of the primary risk in force consisted of these types of loans.

(3) Includes fixed rate mortgages with temporary buydowns (where in effect, the applicable interest rate is typically reduced by one or two percentage points during the first two years of the loan) and ARMs in which the initial interest rate is fixed for at least five years.

(4) Includes ARMs where payments adjust fully with interest rate adjustments. Also includes ARMs with negative amortization, which at December 31, 2002 and 2001, represented 0.7% and 0.9%, respectively, of primary risk in force. Does not include ARMs in which the initial interest rate is fixed for at least five years. As of December 31, 2002 and 2001, ARMs with LTVs in excess of 90% represented 3.3% and 2.5%, respectively, of primary risk in force.

(5) Balloon payment mortgages are loans with a maturity, typically five to seven years, that is shorter than the loans' amortization period.

(6) Loans within the conforming loan limit have an original principal balance that does not exceed the maximum original principal balance of loans that the GSEs are eligible to purchase. The conforming loan limit is subject to annual upward adjustment and was $300,700 for 2002 and $275,000 for 2001. Non-conforming loans are loans with an original principal balance above the conforming loan limit.

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

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

C. Other Business and Joint Ventures

The Company, through subsidiaries, provides various mortgage services for the mortgage finance industry, such as contract underwriting, portfolio retention, secondary marketing of mortgage-related assets and, through its majority-owned Equix Financial Services LLC subsidiary, mortgage loan origination and fulfillment services. The Company's eMagic.com LLC subsidiary provides an Internet portal through which mortgage originators can access products and services of wholesalers, investors, and vendors necessary to make a home mortgage loan.

At December 31, 2002, the Company also owned approximately 46% of Credit-Based Asset Servicing and Securitization LLC ("C-BASS") and approximately 46% of Sherman Financial Group LLC, joint ventures with senior management of the joint ventures and Radian Group Inc. Effective January 1, 2003, the Company and Radian Group Inc. each sold 4 percentage points of their respective interest in Sherman to Sherman's management for cash. For further information about the C-BASS and Sherman joint ventures, see "Management's Discussion and Analysis--Results of Consolidated Operations--2002 Compared to 2001" and Note 8 to the consolidated financial statements of the Company, both of which are included in Exhibit 13 to this Annual Report on Form 10-K.

The revenues recognized from these mortgage services operations, other non-insurance services and the joint ventures represented 9.4% and 5.4% of the Company's consolidated revenues in 2002 and 2001, respectively.

In 1997, the Company, through subsidiaries, began insuring second mortgages, including home equity loans. New insurance written on second mortgages in 2002, 2001 and 2000 was approximately $37.2 million, $1.3 billion and $1.1 billion. The Company discontinued writing new second mortgage risk for loans closing after December 31, 2001.

D. Investment Portfolio

Policy and Strategy

Cash flow from the Company's investment portfolio represented approximately 38% of its total cash flow from operations during 2002. Approximately 79% of the Company's long-term investment portfolio is managed by a subsidiary of The Northwestern Mutual Life Insurance Company, although the Company maintains overall control of investment policy and strategy. The Company maintains direct management of the remainder of its investment portfolio.

The Company's current policies emphasize preservation of capital, as well as total return. Therefore, the Company's investment portfolio consists almost entirely of high-quality, fixed-income investments. Liquidity is sought through diversification and investment in publicly traded securities. The Company attempts to maintain a level of liquidity commensurate with its perceived business outlook and the expected timing, direction and degree of changes in interest rates. The Company's investment policies in effect at December 31, 2002 limited investments in the securities of a single issuer (other than the U.S. government and its agencies) and generally did not permit purchasing fixed income securities rated below 'A'.

At December 31, 2002, based on amortized cost, approximately 98.5% of the Company's total fixed income investment portfolio was invested in securities rated 'A' or better, with 78.7% which were rated 'AAA' and 17.7% which were rated 'AA', in each case by at least one nationally recognized securities rating organization.

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

Investment Operations

At December 31, 2002, the market value of the Company's investment portfolio was approximately $4.7 billion. At December 31, 2002, municipal securities represented 83.7% of the market value of the total investment portfolio. Securities due within one year, within one to five years, within five to ten years, and after ten years, represented 3.7%, 16.4%, 23.5% and 56.4%, respectively, of the total book value of the Company's investment in debt securities. The Company's net pre-tax investment income was $207.5 million for the year ended December 31, 2002. The Company's after-tax yield for 2002 was 4.2%, which was lower than the after-tax yield in 2001 of 4.6%.

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

E. Regulation

Direct Regulation

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

In general, such regulation relates, among other things, to licenses to transact business; policy forms; premium rates; annual and other reports on financial condition; the basis upon which assets and liabilities must be stated; requirements regarding contingency reserves equal to 50% of premiums earned; minimum capital levels and adequacy ratios; reinsurance requirements; limitations on the types of investment instruments which may be held in an investment portfolio; the size of risks and limits on coverage of individual risks which may be insured; deposits of securities; limits on dividends payable; and claims handling. Most states also regulate transactions between insurance companies and their parents or affiliates and have restrictions on transactions that have the effect of inducing lenders to place business with the insurer. For a discussion of a February 1, 1999 circular letter from the NYID and a January 31, 2000 letter from the Illinois Department of Insurance, see "The MGIC Book--Types of Product--Pool Insurance" and "--Captive Mortgage Reinsurance." For a description of limits on dividends payable, see "Management's Discussion and Analysis-Liquidity and Capital Resources" and Note 11 to the consolidated financial statements of the Company, both of which are included in Exhibit 13 to this Annual Report on Form 10-K.

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

The general mortgage default experience may also be considered. Premium rates are subject to review and challenge by state regulators.

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

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

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

Wisconsin's insurance regulations generally provide that no person may acquire control of the Company unless the transaction in which control is acquired has been approved by the Office of the Commissioner of Insurance of Wisconsin. The regulations provide for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities.

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

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

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

Indirect Regulation

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

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

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

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

There can be no assurance that other federal laws and regulations affecting such institutions and entities will not change, or that new legislation or regulations will not be adopted which will adversely affect the private mortgage insurance industry. In this regard, see the penultimate risk factor under "Management's Discussion and Analysis - Risk Factors" which is included in Exhibit 13 to this Annual Report on Form 10-K.

F. Employees

At December 31, 2002, the Company and its consolidated subsidiaries had approximately 1,300 full- and part-time employees, of whom approximately 38% were assigned to MGIC's field offices. The number of employees given above does not include "on-call" employees. The number of "on-call" employees can vary substantially, primarily as a result of changes in demand for contract underwriting services.

G. Website Access

The Company makes available free of charge through its Internet website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after the Company electronically files such material with the SEC. The address of the Company's website is www.mgic.com and such reports may be accessed through the "Investor-News and Financials-Filings With SEC" portion of the website.

Item 2. Properties.

At December 31, 2002, the Company leased office space in various cities throughout the United States under leases expiring between 2003 and 2006 and which required annual rentals of $4.7 million in 2002.

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

Item 3. Legal Proceedings.

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

In addition, MGIC is a defendant in Downey et. al. v. MGIC, filed in Federal District Court for the Southern District of Georgia in May 2000 following the dismissal of a similar case filed in December, 1999. The Downey case sought certification as nationwide class action. Equivalent actions seeking nationwide class action certification were filed in December 1999 against three other mortgage insurers (PMI, Republic and United Guaranty) . In August 2000, the Federal District Court dismissed the cases against PMI, Republic and United Guaranty on the ground that the Federal McCarran-Ferguson Act barred the RESPA claims brought by the individual plaintiffs in those cases. Because the pending case against MGIC dated only from May 2000, the time for MGIC to file a motion to dismiss the case against it under the motion schedule established by the Court had not yet occurred.

In December 2000 MGIC, PMI and United Guaranty entered into a settlement agreement with the plaintiffs. In the fourth quarter of 2000, the Company recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. In June 2001, the Federal District Court issued a final order approving the December 2000 settlement agreement and certified a nationwide class of borrowers. Due to appeals of related orders denying certain class members the right to intervene to challenge certain aspects of the settlement in Downey and the PMI and United Guaranty cases, payments to borrowers in the settlement are delayed pending the outcome of the appeals. The settlement includes an injunction that prohibits certain practices and specifies the basis on which agency pool insurance, captive mortgage reinsurance, contract underwriting and other products may be provided in compliance with the Real Estate Settlement Procedures Act. There can be no assurance that the standards established by the injunction will be determinative of compliance with RESPA were additional litigation to be brought in the future.

The complaint in the case alleges that MGIC violated the Real Estate Settlement Procedures Act by providing agency pool insurance, captive mortgage reinsurance, contract underwriting and other products that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid at the time of judgment for the mortgage insurance found to be involved in a violation of the Real Estate Settlement Procedures Act. The complaint also seeks injunctive relief, including prohibiting MGIC from receiving future premium payments. If the settlement is not fully implemented, the litigation will continue. In these circumstances, there can be no assurance that the ultimate outcome of the litigation will not materially affect the Company's financial position or results of operations.

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

None.

Executive Officers

Certain information with respect to the Company's executive officers as of March 1, 2003 is set forth below:

Name and Age	Title
Curt S. Culver, 50................	President and Chief Executive Officer of the Company and MGIC; Director of the Company and MGIC
John D. Fisk, 46..................	Executive Vice President--Strategic Planning of the Company and MGIC
J. Michael Lauer, 58..............	Executive Vice President and Chief Financial Officer of the Company and MGIC
James S. MacLeod, 55..............	Executive Vice President--Field Operations of MGIC
Lawrence J. Pierzchalski, 50......	Executive Vice President--Risk Management of MGIC
Jeffrey H. Lane, 53...............	Senior Vice President, General Counsel and Secretary of the Company and MGIC

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

Mr. Fisk joined the Company in February 2002. From January 2000 to May 2001 he was Chief Executive Officer of LoanChannel.com, an internet small business lending portal. For more than 17 years before then, he held various positions with Freddie Mac, including Senior Vice President--Investor & Dealer Services from May 1993 to September 1997 and Executive Vice President--Single Family Securitization Group from September 1997 to January 2000 when he left to found LoanChannel.com.

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

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

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

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

PART II

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

The information set forth under the caption "MGIC Stock" in Exhibit 13 to this Annual Report on Form 10-K is incorporated herein by reference. To the extent required by Instruction 1 to Item 10(c) of Schedule 14A or other rules of the Securities and Exchange Commission, the information set forth under "Item 2 -Approval of Performance Goals for Restricted Stock and Restricted Stock Units Awarded Under 2002 Stock Incentive Plan - Securities Authorized for Issuance Under Equity Compensation Plans" in the Company's Proxy Statement for the 2003 Annual Meeting of Shareholders is incorporated herein by reference.

Item 6. Selected Financial Data.

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

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

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

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

The information set forth in the third paragraph under the caption "Management's Discussion and Analysis - Financial Condition," and in the eight and ninth paragraphs under the caption "Management's Discussion and Analysis - Liquidity and Capital Resources," all in Exhibit 13 to this Annual Report on Form 10-K, is hereby incorporated by reference in answer to this Item.

Item 8. Financial Statements and Supplementary Data.

The consolidated statements of operations, of shareholders' equity and of cash flows for each of the years in the three-year period ended December 31, 2002, and the related consolidated balance sheet of the Company as of December 31, 2002 and 2001, together with the related notes thereto and the report of independent accountants, as well as the unaudited quarterly financial data, all set forth in Exhibit 13 to this Annual Report on Form 10-K, are hereby incorporated by reference in answer to this Item.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

This information (other than on the executive officers) is included in the Company's Proxy Statement for the 2003 Annual Meeting of Shareholders, and is hereby incorporated by reference. The information on the executive officers appears at the end of Part I of this Form 10-K.

Item 11. Executive Compensation.

This information is included in the Company's Proxy Statement for the 2003 Annual Meeting of Shareholders and, other than information covered by Instruction (9) to Item 402 (a) of Regulation S-K of the Securities and Exchange Commission, is hereby incorporated by reference.

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

This information is included in the Company's Proxy Statement for the 2003 Annual Meeting of Shareholders, and is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

This information is included in the Company's Proxy Statement for the 2003 Annual Meeting of Shareholders, and is hereby incorporated by reference.

Item 14. Controls and Procedures.

The Company's principal executive officer and principal financial officer have each concluded that, based on his evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended), as of a date within 90 days prior to the filing of this Annual Report on Form 10-K, such controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial statements. The financial statements listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Form 10-K.

2. Financial statement schedules. The financial statement schedules listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Form 10-K.

3. Exhibits. The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item and, except as otherwise indicated in the next sentence, the Exhibits listed in such Index are filed as part of this Form 10-K. Exhibits 99.1 and 99.2 are not filed as part of this Form 10-K but accompany this Form 10-K.

(b) Reports on Form 8-K

A report on Form 8-K dated October 23, 2002 was filed under Item 9. A report on Form 8-K dated October 28, 2002 was filed under Items 7 and 9.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

[Item 15(a) 1 and 2]

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2003.

MGIC INVESTMENT CORPORATION

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

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

Name and Title

/s/ Curt S. Culver
Curt S. Culver
President, Chief Executive Officer and Director

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

/s/ Joseph J. Komanecki
Joseph J. Komanecki
Senior Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

/s/ James A. Abbott
James A. Abbott, Director

/s/ Mary K. Bush
Mary K. Bush, Director

/s/ Karl E. Case
Karl E. Case, Director

/s/ David S. Engelman
David S. Engelman, Director

/s/ Thomas M. Hagerty
Thomas M. Hagerty, Director

/s/ Kenneth M. Jastrow, II
Kenneth M. Jastrow, II, Director

/s/ Daniel P. Kearney
Daniel P. Kearney, Director

/s/ Michael E. Lehman
Michael E. Lehman, Director

/s/ Sheldon B. Lubar
Sheldon B. Lubar, Director

/s/ William A. McIntosh
William A. McIntosh, Director

/s/ Leslie M. Muma
Leslie M. Muma, Director

I, Curt S. Culver, certify that:

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

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

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

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

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared; b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

\s\ Curt S. Culver

Curt S. Culver
Chief Executive Officer

I, J. Michael Lauer, certify that:

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

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

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

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

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

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

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

\s\ J. Michael Lauer

J. Michael Lauer
Chief Financial Office

Report of Independent Accountants on Financial Statement Schedules

To the Board of Directors
of MGIC Investment Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 8, 2003 appearing in the 2002 Annual Report to Shareholders of MGIC Investment Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 14(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

Milwaukee, Wisconsin
January 8, 2003

MGIC INVESTMENT CORPORATION

SCHEDULE I - SUMMARY OF INVESTMENTS -
OTHER THAN INVESTMENTS IN RELATED PARTIES

December 31, 2002

Type of Investment	Amortized Cost	Fair Value	Amount at which shown in the balance sheet
	(In thousands of dollars)		
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 392,346	$ 404,272	$ 404,272
States, municipalities and political subdivisions	3,725,062	3,956,282	3,956,282
Foreign governments	14,014	15,704	15,704
Public utilities	30,054	32,896	32,896
All other corporate bonds	191,698	204,308	204,308
Total fixed maturities	4,353,174	4,613,462	4,613,462
Equity securities:			
Common stocks:			
Industrial, miscellaneous and all other	10,779	10,780	10,780
Total equity securities	10,779	10,780	10,780
Short-term investments	102,230	102,230	102,230
Total investments	$ 4,466,183	$ 4,726,472	$ 4,726,472

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEET
PARENT COMPANY ONLY
December 31, 2002 and 2001

	2002	2001
	(In thousands of dollars)	
ASSETS		
Investment portfolio, at market value:		
Fixed maturities	$ 1,418	$ 1,709
Short-term investments	180	20,774
Total investment portfolio	1,598	22,483
Investment in subsidiaries, at equity in net assets	4,088,518	3,486,574
Income taxes receivable - affiliates	3,074	2,897
Accrued investment income	7	87
Other assets	6,343	5,271
Total assets	$ 4,099,540	$ 3,517,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Short- and long-term debt	$ 676,663	$ 472,102
Accounts payable - affiliates	19	21
Other liabilities	27,666	25,002
Total liabilities	704,348	497,125
Shareholders' equity (note B):		
Common stock, $1 par value, shares authorized 300,000,000; shares issued 2002 - 121,418,637; 2001 - 121,110,800; outstanding 2002 - 100,251,444; 2001 - 106,086,594	121,419	121,111
Paid-in surplus	232,950	214,040
Members' equity	380	-
Treasury stock (shares at cost, 2002 - 21,167,193; 2001 - 15,024,206)	(1,035,858)	(671,168)
Accumulated other comprehensive income, net of tax	147,908	46,644
Retained earnings	3,928,393	3,309,560
Total shareholders' equity	3,395,192	3,020,187
Total liabilities and shareholders' equity	$ 4,099,540	$ 3,517,312

See accompanying supplementary notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENT OF OPERATIONS
PARENT COMPANY ONLY
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
	(In thousands of dollars)		
Revenue:			
Equity in undistributed net income of subsidiaries	$ 487,660	$ 644,714	$ 550,014
Dividends received from subsidiaries	164,653	12,751	11,091
Investment income, net	2,338	746	800
Realized investment gains (losses), net	42	29	(659)
Total revenue	654,693	658,240	561,246
Expenses:			
Operating expenses	1,313	926	735
Interest expense	36,640	30,623	28,759
Total expenses	37,953	31,549	29,494
Income before tax	616,740	626,691	531,752
Credit for income tax	(12,451)	(12,446)	(10,247)
Net income	629,191	639,137	541,999
Other comprehensive income, net	101,264	(29,170)	116,549
Comprehensive income	$ 730,455	$ 609,967	$ 658,548

See accompanying supplementary notes to
Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENT OF CASH FLOWS
PARENT COMPANY ONLY
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
	(In thousands of dollars)		
Cash flows from operating activities:			
Net income	$ 629,191	$ 639,137	$ 541,999
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(487,660)	(644,714)	(550,014)
(Increase) decrease in income taxes receivable	(177)	(2,897)	4,518
Decrease (increase) in accrued investment income	80	(68)	190
Increase in other liabilities	2,664	11,777	10,559
(Increase) decrease in other assets	(1,072)	5,990	(10,303)
Other	12,190	7,576	29,005
Net cash provided by operating activities	155,216	16,801	25,954
Cash flows from investing activities:			
Transactions with subsidiaries	(12,160)	(8,657)	(5,050)
Purchase of fixed maturities	(99,604)	(500)	(10,500)
Sale of fixed maturities	100,291	164	21,920
Net cash (used in) provided by investing activities	(11,473)	(8,993)	6,370
Cash flows from financing activities:			
Dividends paid to shareholders	(10,358)	(10,685)	(10,618)
Proceeds from issuance of short- and long-term debt	202,087	205,521	309,079
Repayment of short- and long-term debt	-	(133,384)	(336,751)
Common stock shares issued	10,825	-	-
Reissuance of treasury stock	6,179	16,830	18,699
Repurchase of common stock	(373,070)	(73,488)	(6,224)
Net cash used in financing activities	(164,337)	4,794	(25,815)
Net (decrease) increase in cash and short-term investments	(20,594)	12,602	6,509
Cash and short-term investments at beginning of year	20,774	8,172	1,663
Cash and short-term investments at end of year	$ 180	$ 20,774	$ 8,172

See accompanying notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PARENT COMPANY ONLY

SUPPLEMENTARY NOTES

Note A

The accompanying Parent Company financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements appearing in Exhibit 13 of this Annual Report on Form 10-K.

Note B

The Company's insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. As a result of an extraordinary dividend paid by MGIC in February, 2002, MGIC cannot pay any dividends without regulatory approal until February 16, 2003. Thereafter, MGIC can pay $154.8 million of dividends. The other insurance subsidiaries of the Company can pay $8.7 million of dividends without such regulatory approval.

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

In 2002, 2001 and 2000, the Company paid dividends of $10.4 million, $10.7 million and $10.6 million, respectively, or $0.10 per share.

MGIC INVESTMENT CORPORATION

SCHEDULE IV - REINSURANCE

MORTGAGE INSURANCE PREMIUMS EARNED
Years Ended December 31, 2002, 2001 and 2000

Year ended December 31,	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
			(In thousands of dollars)		
2002	$ 1,296,548	$ 114,898	$ 448	$ 1,182,098	0.0%
2001	$ 1,107,168	$ 65,587	$ 686	$ 1,042,267	0.1%
2000	$ 939,981	$ 50,889	$ 999	$ 890,091	0.1%

INDEX TO EXHIBITS

[Item 15(a)3]

Exhibit Numbers	Description of Exhibits
3.1	Articles of Incorporation, as amended.(1)
3.2	Amended and Restated Bylaws. (2)
4.1	Article 6 of the Articles of Incorporation (included within Exhibit 3.1)
4.2	Amended and Restated Bylaws (included as Exhibit 3.2)
4.3	Rights Agreement, dated as of July 22, 1999, between MGIC Investment Corporation and Firstar Bank Milwaukee, N.A., which includes as Exhibit A thereto the Form of Right Certificate and as Exhibit B thereto the Summary of Rights to Purchase Common shares(3)
4.3.1	First Amendment to Rights Agreement, dated as of October 28, 2002, between the Company and U.S. Bank National Association.(4)
4.3.2	Second Amendment to Rights Agreement, dated as of October 28, 2002, between the Company and Wells Fargo Bank Minnesota, National Association (as successor Rights Agent to U.S. Bank National Association).(5)
4.4	Indenture, dated as of October 15, 2000, between the Company and Bank One Trust Company, National Association, as Trustee(6) [The Company is a party to various other agreements with respect to its long-term debt. These agreements are not being filed pursuant to Reg. S-K Item 602(b) (4) (iii) (A). The Company hereby agrees to furnish a copy of such agreements to the Commission upon its request.]
10.1	Form of Stock Option Agreement under 2002 Stock Incentive Plan
10.1.1	Form of Incorporated Terms to Stock Option Agreement under 2002 Stock Incentive Plan
10.2	Form of Restricted Stock Agreement under 2002 Stock Incentive Plan
10.2.1	Form of Incorporated Terms to Restricted Stock Agreement under 2002 Stock Incentive Plan
10.3	MGIC Investment Corporation 1991 Stock Incentive Plan(7)

10.3.1	MGIC Investment Corporation 2002 Stock Incentive Plan(8)
10.4	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan.(9)
10.4.1	Form of Stock Option Agreement under 1991 Stock Incentive Plan(10)
10.4.2	Form of Incorporated Terms to Stock Option Agreement under 1991 Stock Incentive Plan(11)
10.5	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.(12)
10.5.1	Form of Restricted Stock Agreement under 1991 Stock Incentive Plan(13)
10.5.2	Form of Incorporated Terms to Restricted Stock Agreement under 1991 Stock Incentive Plan(14)
10.6	Executive Bonus Plan
10.7	Supplemental Executive Retirement Plan (15)
10.8	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.(16)
10.9	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(17)
10.10	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(18)
10.11	Form of MGIC Mortgage Guaranty Master Policy, in effect generally for insurance commitments issued beginning March 1, 1995, including the Master Policy Program Endorsement relating to delegated underwriting.(19)
10.12	Form of Key Executive Employment and Severance Agreement.(20)
10.13	Non-Competition, Confidentiality and Severance Agreement, dated February 25, 2002, between the Company and John D. Fisk(21)
11	Statement re: computation of per share earnings
13	Information from the 2002 Annual Report of the Company to Shareholders which is incorporated by reference in this Annual Report on Form 10-K.
21	Direct and Indirect Subsidiaries and Joint Ventures

23	Consent of Independent Accountants
99.1	Certification of CEO under Section 906 of Sarbanes-Oxley Act of 2002 (as indicated in Item 15(a), this Exhibit is not being "filed")
99.2	Certification of CFO under Section 906 of Sarbanes-Oxley Act of 2002 (as indicated in Item 15(a), this Exhibit is not being "filed")

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

10.1	Form of Stock Option Agreement under 2002 Stock Incentive Plan
10.1.1	Form of Incorporated Terms to Stock Option Agreement under 2002 Stock Incentive Plan
10.2	Form of Restricted Stock Agreement under 2002 Stock Incentive Plan
10.2.1	Form of Incorporated Terms to Restricted Stock Agreement under 2002 Stock Incentive Plan
10.3	MGIC Investment Corporation 1991 Stock Incentive Plan.
10.3.1	MGIC Investment Corporation 2002 Stock Incentive Plan
10.4	Two Forms of Stock Option Agreement under 1991 Stock Incentive Plan.
10.4.1	Form of Stock Option Agreement under 1991 Stock Incentive Plan
10.4.2	Form of Incorporated Terms to Stock Option Agreement under 1991 Stock Incentive Plan
10.5	Two Forms of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.
10.5.1	Form of Restricted Stock Agreement under 1991 Stock Incentive Plan
10.5.2	Form of Incorporated Terms to Restricted Stock Agreement under 1991 Stock Incentive Plan
10.6	Executive Bonus Plan
10.7	Supplemental Executive Retirement Plan.
10.8	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.

10.9	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.
10.10	Two Forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.
10.12	Form of Key Executive Employment and Severance Agreement
10.13	Non-Competition, Confidentiality and Severance Agreement, dated February 25, 2002, between the Company and John D. Fisk

The following documents, identified in the footnote references above, are incorporated by reference, as indicated, to: the Company's Annual Reports on Form 10-K for the years ended December 31, 1993, 1994, 1997, 1999 or 2001 (the "1993 10-K," "1994 10-K," "1997 10-K," "1999 10-K" and "2001 10-K," respectively); to the Company's Quarterly Reports on Form 10-Q for the Quarters ended June 30, 1994, 1998, or 2000 or September 30, 2002 (the "June 30, 1994 10-Q," "June 30, 1998 10-Q," "June 30, 2000 10-Q" and "September 30, 2002 10-Q," respectively); to the Company's registration Statement Form 8-A filed July 27, 1999 (the "8-A"), as amended by Amendment No. 1 filed October 29, 2002 (the "8-A/A"); to the Company's Current Report on form 8-K dated October 17, 2000 (the "8-K"); or to the Company's Proxy Statement for its 2002 Annual Meeting of Shareholders (the "2002 Proxy Statement"). The documents are further identified by cross-reference to the Exhibits in the respective documents where they were originally filed:

(1) Exhibit 3 to the June 30, 1998 10-Q.

(2) Exhibit 3.2 to the 1999 10-K.

(3) Exhibit 4.1 to the 8-A.

(4) Exhibit 4.2 to the 8-A/A.

(5) Exhibit 4.3 to the 8-A/A.

(6) Exhibit 4.1 to the 8-K.

(7) Exhibit 10.7 to the 1999 10-K.

(8) Exhibit A to the 2002 Proxy Statement.

(9) Exhibit 10.9 to the 1999 10-K.

(10) Exhibit 10.4.1 to the 2001 10-K.

(11) Exhibit 10.4.2 to the 2001 10-K.

(12) Exhibit 10.10 to the 1999 10-K.

(13) Exhibit 10.5.1 to the 2001 10-K.

(14) Exhibit 10.5.2 to the 2001 10-K.

(15) Exhibit 10 to the June 30, 2000 10-Q.

(16) Exhibit 10 to the September 30, 2002 10-Q.

(17) Exhibit 10.24 to the 1993 10-K.

(18) Exhibits 10.27 and 10.28 to the June 30, 1994 10-Q.

(19) Exhibit 10.26 to the 1994 10-K.

(20) Exhibit 10.17 to the 1999 10-K.

(21) Exhibit 10.13 to the 2001 10-K.

EXHIBIT 10.1

STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT is made and entered into as of the date indicated on the signature page under "Date of Agreement" by and between MGIC Investment Corporation, a Wisconsin corporation (the "Company"), and the employee of Mortgage Guaranty Insurance Corporation whose signature is set forth on the signature page hereto (the "Employee").

INTRODUCTION

The Company is granting options to purchase shares of the Company's Common Stock, $1.00 par value per share (the "Stock"), to the Employee under the MGIC Investment Corporation 2002 Stock Incentive Plan, as amended (the "Plan") and this Agreement.

This Agreement consists of this instrument and the Incorporated Terms Dated As of _________________________ to Stock Option Agreement (the "Incorporated Terms"), which although not attached to this instrument, are part of this Agreement and were provided to the Employee as indicated in Paragraph 1(b) below.

The parties mutually agree as follows:

1. (a) The Company hereby grants to the Employee the right and option (the "Stock Option") to purchase from the Company, on the terms and conditions herein set forth, the number of shares of Common Stock set forth on the signature page hereof after "Number of Shares" (the "Option Shares"), at a purchase price per share set forth on the signature page after "Option Price Per Share" (the "Option Price"), exercisable as hereinafter stated; provided, however, that such number of shares and/or Option Price is subject to adjustment as provided in Section 6 of this Stock Option Agreement. The Stock Option shall be exercisable in whole or in part, to the extent provided in Section 4 hereof. The Stock Option is a nonstatutory stock option and not an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

(b) The Incorporated Terms are incorporated in this instrument with the same effect as if they were physically set forth in this instrument. The Incorporated Terms and this instrument constitute a single agreement which is referred to as "this Agreement." The terms "herein," "hereof," "above" and similar terms used in this Agreement refer to this Agreement and not to this instrument or the Incorporated Terms. The Incorporated Terms were attached to an e-mail sent in _________________________ to the Employee from the Company's Secretary which included other documents relating to the Stock Option. The Company is hereby advising the Employee to print and retain a copy of the Incorporated Terms. The Employee agrees if there is any difference between the text of the Incorporated Terms received as indicated above and the text of the Incorporated Terms retained by the Company's Secretary in connection with the _________________________ meeting of the Management Development Committee, the text of the copy retained by the Secretary will control.

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

Date of Agreement: As of

MGIC INVESTMENT CORPORATION

By:____
Title: President and Chief Executive Officer

Sign Here: --> ____(SEAL)
Name of Employee:____________________________
Number of Shares:____________________________

Option Price Per Share: $
Final Termination Date:
(See Section 4(b)(iv) of Incorporated Terms)

VESTING SCHEDULE
(See Section 4(a) of Incorporated Terms)

Date:	Percent Exercisable or Vested:
Prior to	0%
	20%
	40%
	60%
	80%
	100%

EXHIBIT 10.1.1

INCORPORATED TERMS
DATED AS OF ________________
TO
STOCK OPTION AGREEMENT

The following are the "Incorporated Terms" referred to in the instrument entitled "Stock Option Agreement" which refers to these Incorporated Terms and which has been signed by the Company and the Employee (the "Base Instrument"). The Incorporated Terms and the Base Instrument constitute a single agreement and that agreement consists of the Base Instrument and the Incorporated Terms. The Incorporated Terms dovetail with the Base Instrument; because the last paragraph of the Base Instrument is Paragraph 1, the Incorporated Terms begin with Paragraph 2.

2. (a) The Stock Option, and any part thereof, shall be exercised by the giving of ten days' (or such shorter period as the Company may permit) prior written notice of exercise to the Secretary of the Company in a form determined by the Company from time to time, which form shall, among other things, specify the number of whole Option Shares to be purchased, and shall be accompanied by payment in full of the aggregate Option Price for the number of Option Shares to be purchased. A partial exercise of the Stock Option may not be made with respect to fewer than ten (10) Option Shares unless the Option Shares purchased are the total number then available for purchase under the Stock Option. Such notice shall be deemed to have been given when hand-delivered or telecopied to the person that the Company may specify from time to time, and, shall be irrevocable and unconditional once given.

(b) The aggregate Option Price for such Option Shares may be paid either by cash or a certified or bank cashier's check payable to the order of the Company, or as otherwise permitted by the Company. The Company hereby permits such Price to be paid by delivery to the Company of shares of Common Stock having a Fair Market Value on the day prior to exercise of the Stock Option equal to such Price, provided such delivery will not result in a charge to earnings. If the number of shares of Common Stock determined pursuant to the preceding sentence includes a fractional share, the number of shares delivered shall be reduced to the next lower whole number and the Employee shall deliver to the Company cash or its equivalent in lieu of such fractional share, or otherwise make arrangements satisfactory to the Company for payment of such amount. Unless such payment method is prohibited by law, including Section 402 of the Sarbanes-Oxley Act of 2002, the Company further permits such Price to be paid as contemplated in Section 2.4(c) of the Plan, subject to the Company's right to specify the date on which funds on account of the exercise are to be paid to the Company.

(c) The Employee shall be responsible for paying all withholding taxes applicable to the exercise of any Stock Option. The Company shall have the right to take any action necessary to insure that the Employee pays the required withholding taxes. The Employee shall be permitted to satisfy the Company's tax withholding requirements by making an election (the "Election") to have the Company withhold Option Shares otherwise issuable to the Employee, or to deliver to the Company shares of Common Stock, in each case having a Fair Market Value on the day prior to the day on which income is recognized with respect to the exercise of the Stock Option (the "Tax Date") equal in amount to the amount to be so withheld.

If the number of shares of Common Stock determined pursuant to the preceding sentence includes a fractional share, the number of shares withheld or delivered shall be reduced to the next lower whole number and the Employee shall deliver to the Company cash or its equivalent in lieu of such fractional share, or otherwise make arrangements satisfactory to the Company for payment of such amount. The Election shall be irrevocable and must be received by the Secretary of the Company at his corporate office on or prior to the Employee's Tax Date. The Election shall be made in writing and be in such form as the Company shall determine.

(d) Upon payment of the aggregate Option Price for the Option Shares and the required withholding taxes, the Company shall cause a certificate for the Option Shares so purchased to be delivered to the Employee.

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

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

(i) The percentage of the Option Shares which shall vest and may be exercised by the Employee shall be as set forth on the signature page hereof under "Vesting Schedule" with respect to each date set forth thereon. For purposes of such vesting schedule, vesting shall occur on the date specified and in the percentage indicated in such schedule; and

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

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

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

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

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

(iv) the date set forth after "Final Termination Date" on the signature page hereof.

(c) The Management Development, Nominating and Governance Committee of the Company's Board of Directors (the "Management Development Committee") or other Committee of such Board administering the Plan (the Management Development Committee or such other Committee is herein referred to as the "Committee"), in its sole discretion, may from time to time accelerate or waive any conditions to the exercise of the Stock Option.

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

(e) (i) If the Employee's employment with the Company and all subsidiaries terminates by reason of retirement after reaching age 62 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven (7) years, (A) the Stock Option shall continue to vest on each date set forth under "Vesting Schedule" on the signature page if (x) no later than the date on which employment terminates, the Employee enters into an agreement with the Company (which agreement shall be drafted by and acceptable to the Company) under which the Employee agrees not to compete with the Company and its subsidiaries during a period ending one year after the latest date set forth under such Vesting Schedule, and (y) the Employee complies with such agreement, and (B) if the conditions in clause (A) are satisfied, (x) upon the Employee's death any unvested portion of the Stock Option shall become immediately vested and exercisable by the personal representative or other person referred to in Section 4(d) and (y) the Termination Date shall be 365 days after the date on which the last vesting of the Stock Option occurs (including vesting as a result of death), except that if the Employee was employed by a combination of the Company or any subsidiary of WMAC Investment Corporation or any of its subsidiaries for an aggregate continuous period (disregarding any break in service of less than three months) of at least twenty (20) years, the Termination Date shall be the date specified in Section 4(b)(iv).

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

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

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

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

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

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

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

10. The Stock Option shall be deemed to have been granted pursuant to the Plan and is subject to the terms and provisions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless otherwise specifically defined herein, shall have the meaning ascribed to them in the Plan. A copy of the Plan is available on request of the Employee made in writing or by e-mail to the Company's Secretary.

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

12. All decisions or interpretations of the Committee with respect to any question arising under the Plan or under this Stock Option Agreement shall be binding, conclusive and final. As a condition of the granting of the Stock Option, the Employee agrees, for himself and his personal representatives, that any dispute or disagreement which may arise under or as a result of or pursuant to this Stock Option Agreement shall be determined by the Committee in its sole discretion, and that any interpretation or determination by the Committee shall be final, binding and conclusive. Such determinations need not be uniform and may be made differently by the Committee with respect to other employees of the Company who are, have been, or will be granted stock options by the Company.

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

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

15. As a condition to the grant of the Stock Option, Employee must execute an agreement not to compete in the form provided to the Employee by the Company.

The end of Paragraph 15 is the end of the Incorporated Terms. The remainder of the Agreement is contained in the Base Instrument.

ANNEX

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

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

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

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

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

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

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

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

(ii) Affiliate and Associate. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Act.

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

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

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule l3d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule l3D under the Act (or any comparable or successor report); or

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

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

RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT is made and entered into as of the date indicated on the signature page under "Date of Agreement" by and between MGIC Investment Corporation, a Wisconsin corporation (the "Company"), and the employee of Mortgage Guaranty Insurance Corporation whose signature is set forth on the signature page hereto (the "Employee").

INTRODUCTION

The Company is awarding shares of the Company's Common Stock, $1.00 par value per share (the "Stock"), to the Employee under the MGIC Investment Corporation 2002 Stock Incentive Plan, (the "Plan") and this Agreement.

This Agreement consists of this instrument and the Incorporated Terms Dated As of _________________ to Restricted Stock Agreement (the "Incorporated Terms"), which although not attached to this instrument, are part of this Agreement and were provided to the Employee as indicated in Paragraph 1(b) below.

The parties mutually agree as follows:

1. Award of Restricted Stock; Incorporated Terms.

(a) Subject to the terms and conditions set forth herein, the Company awards the Employee the number of shares of Stock as follows: the number of shares set forth after "Shares of Base Restricted Stock" on the signature page shall be the "Base Restricted Stock"; the number of shares set forth after "Shares of Matching Restricted Stock" on the signature page shall be the "Matching Restricted Stock"; and the number of shares set forth after "Shares of Performance Restricted Stock" shall be the "Performance Restricted Stock." The term "Restricted Stock" as used in the remainder of this Agreement shall be applied separately to the Base Restricted Stock, the Matching Restricted Stock and the Performance Restricted Stock as if the term "Restricted Stock" were the term "Base Restricted Stock," "Matching Restricted Stock," or "Performance Restricted Stock," as the case may be.

(b) The Incorporated Terms are incorporated in this instrument with the same effect as if they were physically set forth in this instrument. The Incorporated Terms and this instrument constitute a single agreement which is referred to as "this Agreement." The terms "herein," "hereof," "above" and similar terms used in this Agreement refer to this Agreement as a whole. The Incorporated Terms were attached to an e-mail sent in ________________________ to the Employee from the Company's Secretary which included other documents relating to the Restricted Stock. The Company is hereby advising the Employee to print and retain a copy of the Incorporated Terms. The Employee agrees if there is any difference between the text of the Incorporated Terms obtained as indicated above and the text of the Incorporated Terms retained by the Company's Secretary in connection with the _______________________ meeting of the Management Development Committee, the text of the copy retained by the Secretary will control.

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

Date of Agreement: As of ____________________

MGIC INVESTMENT CORPORATION

By:_____________________________________
Title: President and Chief Executive Officer

Sign Here: > __________________________________(SEAL)
Name:

Shares of Base Restricted Stock:

____

Shares of Matching Restricted Stock:

____

Shares of Performance Restricted Stock:

____

Base Restricted Stock Release Date:

Matching Restricted Stock Release Date:

Performance Restricted Stock Release Date:

Target:

* * * *

Beneficiary: ____________________________

Address of Beneficiary:

____

____

Beneficiary Tax Identification No:_______________________________________

INCORPORATED TERMS
DATED AS OF ______________
TO
RESTRICTED STOCK AGREEMENT

The following are the "Incorporated Terms" referred to in the instrument entitled "Restricted Stock Agreement" which refers to these Incorporated Terms and which has been signed by the Company and the Employee (the "Base Instrument"). The Incorporated Terms and the Base Instrument constitute a single agreement and that agreement consists of the Base Instrument and the Incorporated Terms. The Incorporated Terms dovetail with the Base Instrument; because the last paragraph of the Base Instrument is Paragraph 1, the Incorporated Terms begin with Paragraph 2.

2. Restrictions. (a) Except as otherwise provided herein, the Base Restricted Stock and the Matching Restricted Stock may not be sold, transferred or otherwise alienated or hypothecated until, in the case of the Base Restricted Stock, the date set forth after "Base Restricted Stock Release Date" on the signature page, and in the case of the Matching Restricted Stock, the date set forth after "Matching Restricted Stock Release Date" on the signature page. The term "Release Date" shall be applied separately to the Base Restricted Stock and the Matching Restricted Stock as if the term "Release Date" were the term "Base Restricted Stock Release Date" or the term "Matching Restricted Stock Release Date," and such application shall correspond to the application of the term "Restricted Stock" as set forth in Paragraph 1(a) of the Base Instrument.

(b) Except as otherwise provided herein, the Performance Restricted Stock may not be sold, transferred or otherwise alienated or hypothecated until the Release Date determined as follows. For each date set forth after "Performance Restricted Stock Release Date" on the signature page, multiply the number of shares set forth after "Shares of Performance Restricted Stock" on the signature page by the quotient of dividing the EPS for the fiscal year of the Company ended on the December 31 immediately preceding such date by the amount set forth after "Target" on the signature page. The resulting product is the number of shares of Restricted Stock that shall be released on the corresponding date set forth after "Performance Restricted Stock Release Date" and such date shall be the Release Date for such shares (and only for such shares). "EPS" means the Company's diluted earnings per share, determined in accordance with generally accepted accounting principles and adjusted to exclude the after-tax effect of (i) realized gains and losses, and (ii) extraordinary items. If by any date set forth after "Performance Restricted Stock Release Date" the Company has not publicly announced its diluted earnings per share, such date shall be two business days after such earnings are publicly announced.

3. Escrow. Shares of Restricted Stock shall be issued (in certificate or electronic form, at the discretion of the Company) as soon as practicable in the name of the Employee but shall be held in an escrow arrangement by the transfer agent for the Stock, as escrow agent. The Employee shall give the Company a stock power for such Stock duly

endorsed in blank which will be held in escrow for use in the event such Stock is forfeited in whole or in part. Unless forfeited as provided herein, Restricted Stock shall cease to be held in escrow and certificates for such Stock shall be delivered to the Employee, or in the case of his death, to his Beneficiary (as hereinafter defined) on the Release Date or upon any other termination of the restrictions imposed by Paragraph 2 hereof.

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

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

6. Forfeiture of Restricted Stock. (a) If the Employee's employment with the Company and all of its subsidiaries is terminated prior to the Release Date for any reason (including without limitation, disability or termination by the Company and all subsidiaries thereof, with or without cause) other than death, all Restricted Stock shall be forfeited to the Company on the date of such termination unless otherwise provided in subparagraph (b) below, or unless the Management Development, Nominating and Governance Committee of the Company's Board of Directors (the "Management Development Committee") or other Committee of such Board administering the Plan (the Management Development Committee or such other Committee is herein referred to as the "Committee") determines, on such terms and conditions, if any, as the Committee may impose, that all or a portion of the Restricted Stock shall be released to the Employee and the restrictions of Paragraph 2 applicable thereto shall terminate. Absence of the

Employee on leave approved by a duly elected officer of the Company, other than the Employee, shall not be considered a termination of employment during the period of such leave.

(b) If the Employee's employment with the Company and all of its subsidiaries terminates by reason of retirement after reaching age 62 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven years, such retirement shall not result in forfeiture of the Performance Restricted Stock (this provision does not apply to the Base or Matching Restricted Stock) if no later than the date on which employment terminates, the Employee enters into an agreement with the Company (which agreement shall be drafted by and acceptable to the Company) under which the Employee agrees not to compete with the Company and its subsidiaries during a period ending one year after the latest date set forth after "Performance Restricted Stock Release Date" on the signature page and the Employee complies with such agreement. If the Employee enters into such a non-competition agreement and thereafter breaches the terms thereof, the Restricted Stock shall be forfeited. If the conditions in the second preceding sentence are satisfied and the Employee complies with the terms of such agreement, upon the Employee's death, the provisions of Paragraph 5 shall apply as if the Employee's employment with the Company and its subsidiaries terminated because of such death.

(c) Any shares of the Performance Restricted Stock for which a Release Date has not occurred by the latest date set forth after "Performance Restricted Stock Release Date" on the signature page (such date being subject to extension as contemplated in the last sentence of paragraph 2(b)) shall be forfeited to the Company, unless the Committee determines otherwise as contemplated in subparagraph (a) above.

(d) If Restricted Stock is forfeited, the Employee hereby appoints the Company, acting through any Senior Vice President or more senior officer, as the Employee's attorney-in-fact to transfer such forfeited Restricted Stock to the Company.

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

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

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

> "The sale or other transfer of these shares of stock, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the MGIC

Investment Corporation 2002 Stock Incentive Plan and a Restricted Stock Agreement between MGIC Investment Corporation and the registered owner hereof. A copy of such Plan and such Agreement may be obtained from the Secretary of MGIC Investment Corporation."

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

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

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

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

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

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

11. Adjustments in Event of Change in Stock or Fiscal Year. In the event of any change in the outstanding shares of Stock ("capital adjustment") for any reason, including

but not limited to, any stock splits, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event which, in the judgment of the Committee, could distort the implementation of the award of Restricted Stock or the realization of its objectives, the Committee may make such adjustments in the shares of Restricted Stock subject to this Agreement, or in the terms, conditions or restrictions of this Agreement, including the Target set forth on the signature page, 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 Performance Restricted Stock Release Date and the Target as the Committee deems equitable.

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

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

(a) The existence of the Restricted Stock shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Restricted Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Agreement.

(b) Nothing herein contained shall confer upon the Employee any right to continue in the employment of the Company or any subsidiary or interfere with or limit in any way the right of the Company or any subsidiary to terminate the Employee's employment at any time, subject, however, to the provisions of any agreement of employment between the Company or any subsidiary and the Employee. The Employee acknowledges that a termination of his or her employment could occur at a time before which the restrictions referred to in Paragraph 2 above have lapsed, resulting in the forfeiture of the Restricted Stock by the Employee, unless otherwise provided herein. In such event, the Employee will not be able to realize the value of the Restricted Stock nor will the Employee be entitled to any compensation on account of such value.

14. Interpretation by Committee. The Employee agrees that any dispute or disagreement which may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Plan and any determination made by the Committee under this Agreement or the Plan may be made in the sole discretion of the Committee and shall be final, binding, and

conclusive. Any such determination need not be uniform and may be made differently among Employees awarded Restricted Stock.

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

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

(c) The Restricted Stock shall be deemed to have been awarded pursuant to the Plan and is subject to the terms and conditions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless specifically defined herein shall have the meaning ascribed to them in the Plan. A copy of the Plan is available on request of the Employee made in writing or by e-mail to the Company's Secretary.

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

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

(f) As a condition to the grant of the Restricted Stock, Employee must execute an agreement not to compete in the form provided to the Employee by the Company.

The end of Paragraph 15 is the end of the Incorporated Terms. The remainder of the Agreement is contained in the Base Instrument.

ANNEX

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

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

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

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

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

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

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

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

(ii) Affiliate and Associate. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Act.

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

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

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule l3d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule l3D under the Act (or any comparable or successor report); or

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

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

EXHIBIT 10.6

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

The Executive Bonus Plan of the Company in effect for 2002 (which is not contained in a formal plan document), applied to certain officers of the Company, including the executive officers of the Company identified in the Form 10-K for the year ended December 31, 2002. Under the Executive Bonus Plan, if the Company achieved a minimum level of net income for 2002, an executive officer was eligible for a bonus, depending upon the executive officer's individual performance, of up to 120-200% of such executive officer's base salary, depending on the maximum applicable to the executive officer. The officer could elect to receive up to one-third of the bonus in restricted stock of the Company that vested in one year. For each share of restricted stock so elected, the Company awarded one and one-half shares of restricted stock that vested in three years.

EXHIBIT 11

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS (1)
For The Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
	(In thousands, except per share data)		
BASIC EARNINGS PER SHARE			
Average common shares outstanding	103,725	106,941	106,202
Net income	$ 629,191	$ 639,137	$ 541,999
Net income per share	$ 6.07	$ 5.98	$ 5.10
DILUTED EARNINGS PER SHARE			
Adjusted shares outstanding:			
Average common shares outstanding	103,725	106,941	106,202
Net shares to be issued upon exercise of common stock equivalents	489	854	1,058
Adjusted shares outstanding	104,214	107,795	107,260
Net income	$ 629,191	$ 639,137	$ 541,999
Net income per share	$ 6.04	$ 5.93	$ 5.05

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

MGIC INVESTMENT CORPORATION & SUBSIDIARIES -- YEARS ENDED DECEMBER 31, 2002, 2001, 2000, 1999 AND 1998

Five-Year Summary of Financial Information

(In thousands of dollars, except per share data)

	2002	2001	2000	1999	1998
Summary of Operations					
Revenues:					
Net premiums written	$ 1,177,955	$ 1,036,353	$ 887,388	$ 792,345	$ 749,161
Net premiums earned	$ 1,182,098	$ 1,042,267	$ 890,091	$ 792,581	$ 763,284
Investment income, net	207,516	204,393	178,535	153,071	143,019
Realized investment gains, net	29,113	37,352	1,432	3,406	18,288
Other revenue	147,076	73,829	40,283	47,697	47,075
Total revenues	1,565,803	1,357,841	1,110,341	996,755	971,666
Losses and expenses:					
Losses incurred, net	365,752	160,814	91,723	97,196	211,354
Underwriting and other expenses	265,633	234,494	177,837	198,147	187,103
Interest expense	36,776	30,623	28,759	20,402	18,624
Litigation settlement	-	-	23,221	-	-
Total losses and expenses	668,161	425,931	321,540	315,745	417,081
Income before tax	897,642	931,910	788,801	681,010	554,585
Provision for income tax	268,451	292,773	246,802	210,809	169,120
Net income	$ 629,191	$ 639,137	$ 541,999	$ 470,201	$ 385,465
Weighted average common shares outstanding (in thousands)	104,214	107,795	107,260	109,258	113,582
Diluted earnings per share	$ 6.04	$ 5.93	$ 5.05	$ 4.30	$ 3.39
Dividends per share	$ .10	$ .10	$ .10	$ .10	$ .10
Balance sheet data					
Total investments	$ 4,726,472	$ 4,069,447	$ 3,472,195	$ 2,789,734	$ 2,779,706
Total assets	5,300,303	4,567,012	3,857,781	3,104,393	3,050,541
Loss reserves	733,181	613,664	609,546	641,978	681,274
Short- and long-term debt	677,246	472,102	397,364	425,000	442,000
Shareholders' equity	3,395,192	3,020,187	2,464,882	1,775,989	1,640,591
Book value per share	33.87	28.47	23.07	16.79	15.05

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

Five-Year Summary of Financial Information

	2002	2001	2000	1999	1998
New primary insurance written ($ millions)	$ 92,532	$ 86,122	$ 41,546	$ 46,953	$ 43,697
New primary risk written ($ millions)	23,403	21,038	10,353	11,422	10,850
New pool risk written ($ millions) (1)	674	412	345	564	618

Insurance in force (at year-end) ($ millions)

Direct primary insurance	196,988	183,904	160,192	147,607	137,990
Direct primary risk	47,623	42,678	39,090	35,623	32,891
Direct pool risk (1)	2,568	1,950	1,676	1,557	1,133
Primary loans in default ratios					
Policies in force	1,655,887	1,580,283	1,448,348	1,370,020	1,320,994
Loans in default	73,648	54,653	37,422	29,761	29,253
Percentage of loans in default	4.45%	3.46%	2.58%	2.17%	2.21%
Percentage of loans in default-- bulk (2)	10.09%	8.59%	9.02%	8.04%	-
Insurance operating ratios (GAAP)					
Loss ratio	30.9%	15.4%	10.3%	12.3%	27.7%
Expense ratio	14.8%	16.5%	16.4%	19.7%	19.6%
Combined ratio	45.7%	31.9%	26.7%	32.0%	47.3%
Risk-to-capital ratio (statutory)					
MGIC	8.7:1	9.1:1	10.6:1	11.9:1	12.9:1

(1) Represents contractual aggregate loss limits and, for the year ended December 31, 2002, for $3.0 billion of risk without such limits, risk is calculated at $276 million for new risk written and $274 million for risk in force, the estimated amount that would credit enhance these loans to a `AA' level.

(2) Information relating to bulk defaults in 1998 is not separately presented and is not material.

Results of Consolidated Operations
2002 Compared with 2001

Net income for 2002 was $629.2 million, compared to $639.1 million in 2001, a decrease of 2%. Diluted earnings per share for 2002 was $6.04 compared with $5.93 in 2001. Adjusted weighted average diluted shares outstanding for the years ended December 31, 2002 and 2001 were 104.2 million and 107.8 million, respectively. As used in this report, the term "Company" means the Company and its consolidated subsidiaries, which do not include less than majority owned joint ventures in which the Company has an equity interest.

Total revenues for 2002 were $1,565.8 million, an increase of 15% from the $1,357.8 million for 2001. This increase was primarily attributed to increases in net premiums earned and other revenue. See below for a further discussion of premiums and other revenue.

Losses and expenses for 2002 were $668.2 million, an increase of 57% from $425.9 million for 2001. The increase from last year can be attributed to a 127% increase in losses incurred, which primarily related to increases in delinquent loans and paid losses, and an aggregate increase in underwriting and interest expenses of 14%, which related to increases in insured volume and debt outstanding. See below for a further discussion of losses incurred and expenses.

The amount of new primary insurance written by MGIC during 2002 was $92.5 billion, compared to $86.1 billion in 2001, an increase of $6.4 billion. New insurance written in the bulk channel declined $3.2 billion during 2002 compared to 2001, as further discussed below. New insurance written on a flow basis increased $9.6 billion during 2002 compared to 2001, with refinance volume approximately equal in both years (41.6% of new insurance written in 2001 and 42.6% in 2002).

The $92.5 billion of new primary insurance written during 2002 was offset by the cancellation of $79.4 billion of insurance in force, and resulted in a net increase of $13.1 billion in primary insurance in force, compared to new primary insurance written of $86.1 billion, the cancellation of $62.4 billion of insurance in force and a net increase of $23.7 billion in primary insurance in force during 2001. Direct primary insurance in force was $197.0 billion at December 31, 2002 compared to $183.9 billion at December 31, 2001. Direct primary risk in force, net of aggregate loss limits, was $47.6 billion at December 31, 2002 compared to $42.7 billion at December 31, 2001.

In addition to providing primary insurance coverage, the Company also insures pools of mortgage loans. New pool risk written during 2002 and 2001 was $674 million and $412 million, respectively. The Company's direct pool risk in force was $2.6 billion at December 31, 2002 and $2.0 billion at December 31, 2001. Of the pool risk written in 2002 and the risk in force, $398 million and $2.3 billion, respectively, represent contractual aggregate loss limits. For $3.0 billion of risk without such limits, risk is calculated at $276 million for new pool risk written and $274 million for pool risk in force, the estimated amount that would credit enhance these loans to a `AA' level.

Cancellation activity has historically been affected by the level of mortgage interest rates, with cancellations generally moving inversely to the change in the direction of interest rates. The home mortgage interest rate environment continued to decline in 2002. As a result, cancellations increased during 2002 compared to the cancellation levels during 2001, which resulted in a decrease in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 56.8% at December 31, 2002 from 61.0% at December 31, 2001. In view of continued strong refinance activity in 2003, the persistency rate could decline further during the first quarter of 2003.

New insurance written during 2002 for bulk transactions was $22.5 billion ($6.6 billion, $5.7 billion, $4.4 billion and $5.8 billion for the first through fourth quarters, respectively) compared to $25.7 billion during 2001. The Company's writings of bulk insurance are in part sensitive to the volume of securitization transactions involving non-conforming loans. A securitization involves the sale of whole loans held by the securitizer. The Company believes that the relatively high historical spread between the cost of funding mortgages and mortgage coupon rates during portions of the second half

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of 2002 resulted in increased prices for whole loans which had the effect of reducing the supply of mortgages available for current securitization. The Company's writings of bulk insurance are also sensitive to competition from other methods of providing credit enhancement in a securitization, including the willingness of investors to purchase tranches of the securitization with a higher degree of credit risk. The Company expects bulk volume for the first quarter of 2003 will exceed bulk volume for the fourth quarter of 2002.

The Company expects that the loans included in bulk transactions will have delinquency and claim rates in excess of those on the Company's flow business and will have lower persistency than the Company's flow business. While the Company believes it has priced its bulk business to generate acceptable returns, there can be no assurance that the assumptions underlying the premium rates adequately address the risk of this business. In the first quarter of 2002, the Company entered into a preliminary agreement providing that new insurance written in 2002 through the bulk channel on Alt A, subprime and certain other loans would be subject to quota share reinsurance of approximately 15% provided by a third party reinsurer. The agreement was terminated on a cutoff basis effective October 1, 2002, relieving both parties of any further obligations.

Net premiums written increased 14% to $1,178.0 million during 2002, from $1,036.4 million during 2001. Net premiums earned increased 13% to $1,182.1 million for 2002 from $1,042.3 million for 2001. The increases were primarily a result of the growth in insurance in force and a higher percentage of premiums on products with higher premium rates, principally on insurance written through the bulk channel, offset in part by an increase in ceded premiums.

Premiums ceded in captive mortgage reinsurance arrangements and in risk sharing arrangements with the GSEs were $100.0 million in 2002, compared to $61.0 million in 2001. Through September 30, 2002, approximately 53% of the Company's new insurance written on a flow basis was subject to such arrangements compared to 50% for the year ended December 31, 2001. (New insurance written through the bulk channel is not subject to such arrangements.) The percentage of new insurance written during a period covered by such arrangements normally increases after the end of the period because, among other reasons, the transfer of a loan in the secondary market can result in a mortgage insured during a period becoming part of such an arrangement in a subsequent period. Therefore, for 2002, the percentage of new insurance written covered by such arrangements is shown as of the end of the prior quarter. Premiums ceded in such arrangements are reported as ceded in the period in which they are ceded regardless of when the mortgage was insured.

A substantial portion of the Company's captive mortgage reinsurance arrangements are structured on an excess of loss basis. The Company has decided that, effective March 31, 2003, it will not participate in excess of loss risk sharing arrangements with net premium cessions in excess of 25% on terms which are generally present in the market. The captive mortgage reinsurance programs of larger lenders generally are not consistent with the Company's position. Hence, the Company expects its position with respect to such risk sharing arrangements will result in a reduction in business from such lenders.

Investment income for 2002 was $207.5 million, compared to $204.4 million for 2001. This increase was the result of increases in the amortized cost of average invested assets to $4.2 billion for 2002 from $3.7 billion for 2001, an increase of 15%, offset by a decrease in the investment yield. The portfolio's average pre-tax investment yield was 4.7% for 2002 and 5.4% for 2001. The portfolio's average after-tax investment yield was 4.2% for 2002 and 4.6% for the same period in 2001. The Company's net realized gains were $29.1 million for 2002 compared to net realized gains of $37.4 million during 2001, resulting primarily from the sale of fixed maturities.

Other revenue, which is composed of various components, was $147.1 million for 2002, compared with $73.8 million for 2001. The increase is primarily the result of increased equity earnings from Credit-Based Asset Servicing and Securitization LLC and its subsidiaries (collectively, "C-BASS") and Sherman Financial Group LLC and its subsidiaries (collectively, "Sherman"), joint ventures with Radian Group Inc. ("Radian"), and from contract underwriting.

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C-BASS, in which the Company and Radian each have an interest of approximately 45.9%, is a mortgage investment and servicing firm specializing in credit-sensitive single-family residential mortgage assets and residential mortgage-backed securities. C-BASS principally invests in whole loans (including subprime loans) and mezzanine and subordinated residential mortgage-backed securities backed by non-conforming residential mortgage loans. C-BASS's principal sources of revenues during the last three years were gain on securitization and liquidation of mortgage-related assets, servicing fees and net interest income (including accretion on mortgage securities), which revenue items were offset by unrealized losses. C-BASS's results of operations are affected by the timing of its securitization transactions. Virtually all of C-BASS's assets do not have readily ascertainable market values and, as a result, their value for financial statement purposes is estimated by the management of C-BASS. These estimates reflect the net present value of the future cash flows from the assets, which in turn depend on, among other things, estimates of the level of losses on the underlying mortgages and prepayment activity by the mortgage borrowers. Market value adjustments could impact C-BASS's results of operations and the Company's share of those results.

Total consolidated assets of C-BASS at December 31, 2002 and 2001 were approximately $1.754 billion and $1.288 billion, respectively. Total liabilities at December 31, 2002 and 2001 were approximately $1.385 billion and $1.006 billion, respectively, of which approximately $1.110 billion and $0.934 billion, respectively, were funding arrangements, including accrued interest, virtually all of which mature within one year or less. The remaining liabilities at those dates were related to interest rate hedging activities or were accrued expenses and other liabilities. For the years ended December 31, 2002 and 2001, revenues of approximately $311 million and $224 million, respectively, and expenses of approximately $173 million and $138 million, respectively, resulted in income before tax of approximately $138 million and $86 million, respectively. The Company does not anticipate that C-BASS's income before tax in 2003 will exceed its income before tax in 2002. The Company is not undertaking any obligation to provide an update of this expectation should it subsequently change.

Sherman is engaged in the business of purchasing and servicing delinquent consumer assets such as credit card loans and Chapter 13 bankruptcy debt. A substantial portion of Sherman's consolidated assets are investments in consumer receivable portfolios that do not have readily ascertainable market values. Sherman's results of operations are sensitive to estimates by Sherman's management of ultimate collections on these portfolios. Effective January 1, 2003, the Company and Radian each sold 4 percentage points of their respective interest in Sherman to Sherman's management for cash, reducing each company's interest in Sherman to 41.5%. Because C-BASS and Sherman are accounted for by the equity method, they are not consolidated with the Company and their assets and liabilities do not appear in the Company's balance sheet. The "investments in joint ventures" item in the Company's balance sheet reflects the amount of capital contributed by the Company to the joint ventures plus the Company's share of their net income (or minus its share of their net loss) and minus capital distributed to the Company by the joint ventures. The Company's investment in C-BASS on an equity basis at December 31, 2002 was $168.7 million. The Company's investment in Sherman on an equity basis at December 31, 2002 was $54.4 million.

As discussed in "Note 2 - Loss Reserves" to the Company's consolidated financial statements, consistent with industry practice, loss reserves for future claims are established only for loans that are currently delinquent. (The terms "delinquent" and "default" are used interchangeably by the Company.) Loss reserves are established by management's estimating the number of loans in the Company's inventory of delinquent loans that will not cure their delinquency (historically, a substantial majority of delinquent loans have cured), which is referred to as the claim rate, and further estimating the amount that the Company will pay in claims on the loans that do not cure, which is referred to as claim severity. Estimation of losses that the Company will pay in the future is inherently judgmental. The conditions that affect the claim rate and claim severity include the current and future state of the domestic economy and the current and future strength of local housing markets.

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Net losses incurred increased 127% to $365.8 million in 2002, from $160.8 million in 2001. On a quarterly basis, net losses incurred were $59.7 million, $64.4 million, $101.1 million and $140.5 million for the first through the fourth quarters, respectively. The increase in 2002 was due to an increase in the primary notice inventory related to bulk default activity and defaults arising from the early development of the 2000 and 2001 flow books of business as well as an increase in losses paid. The average primary claim paid for 2002 was $20,115 compared to $18,607 for 2001. In 2002, the primary determinant of incurred losses was the level and composition of the notice inventory, rather than claim severity. The Company expects that incurred losses in 2003 will increase over the level of 2002. The Company is not undertaking any obligation to provide an update of this expectation should it subsequently change. Information about the composition of the primary insurance default inventory at December 2002 and 2001 appears in the table below.

	December 31, 2002	December 31, 2001
Total loans delinquent.........	73,648	54,653
Percentage of loans delinquent (default rate)..............	4.45%	3.46%
Flow loans delinquent..........	43,196	36,193
Percentage of flow loans delinquent (default rate)....	3.19%	2.65%
Bulk loans delinquent..........	30,452	18,460
Percentage of bulk loans delinquent (default rate)....	10.09%	8.59%
A-minus and subprime credit loans delinquent*...........	25,504	15,649
Percentage of A-minus and subprime credit loans delinquent (default rate)....	12.68%	11.60%

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

The pool notice inventory increased from 23,623 at December 31, 2001 to 26,676 at December 31, 2002.

Information about losses paid in 2002 and 2001 appears in the table below.

Net paid claims ($ millions)	Twelve months ended December 31, 2002	2001
Flow...........................	$117	$ 93
Bulk...........................	65	14
Second mortgage................	24	16
Pool and other.................	35	27
	$241	$150

The Company stopped writing new second mortgage risk for loans closing after 2001.

At December 31, 2002, 82% of MGIC's insurance in force was written subsequent to December 31, 1998. Based on the Company's flow business, the highest claim frequency years have typically been the third through fifth year after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from this historical pattern and the Company expects the period of highest claims frequency on bulk loans will occur earlier than in this historical pattern.

For additional information about loss reserves, see Note 6 of the Notes to the Company's consolidated financial statements.

Underwriting and other expenses increased to $265.6 million in 2002 from $234.5 million in 2001, an increase of 13%. The increase can be attributed to increases in expenses related to increased volume. In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment to SFAS No. 123, Accounting for Stock-Based Compensation. The Company intends to adopt SFAS No. 148 in the first quarter of 2003. The adoption requires expensing of stock-based employee compensation costs.

Interest expense increased to $36.8 million in 2002 from $30.6 million during the same period in 2001 primarily due to an increase in debt outstanding offset by lower weighted-average interest rates during 2002 compared to 2001.

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The consolidated insurance operations loss ratio was 30.9% for 2002 compared to 15.4% for 2001. The consolidated insurance operations expense and combined ratios were 14.8% and 45.7%, respectively, for 2002 compared to 16.5% and 31.9% for 2001.

The effective tax rate was 29.9% in 2002, compared to 31.4% in 2001. During both periods, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investments. The lower effective tax rate in 2002 resulted from a higher percentage of total income before tax being generated from the tax-preferenced investments.

2001 Compared with 2000

Net income for 2001 was $639.1 million, compared to $542.0 million in 2000, an increase of 18%. Net income for 2000 includes a pre-tax charge of $23.2 million for settlement of the RESPA settlement described in "Other Matters" below. Diluted earnings per share was $5.93 for 2001 compared with $5.05 in 2000.

Total revenues for 2001 were $1,357.8 million, an increase of 22% from the $1,110.3 million for 2000. This increase was primarily attributable to an increase in new business writings, which included $25.7 billion of bulk transactions. Also contributing to the increase in revenues was an increase in investment income resulting from strong cash flows and increases in realized gains and other revenue. See below for a further discussion of premiums, investment income and other revenue.

Losses and expenses for 2001 were $425.9 million, an increase of 32% from $321.5 million for the same period of 2000. The increase in 2001 can be attributed to an increase in losses related to an increase in notice inventories and an increase in expenses related to increases in insured volume and in contract underwriting. See below for a further discussion of losses incurred and underwriting expenses.

The amount of new primary insurance written by MGIC during 2001 was $86.1 billion, compared with $41.5 billion in 2000. Refinancing activity increased to 42% of new primary insurance written in 2001 on a flow basis (or $25.1 billion), compared to 13% in 2000 (or $4.6 billion) as a result of the decreasing mortgage interest rate environment in 2001. New primary insurance written in the bulk channel increased to 30% of new primary insurance written in 2001 compared to 17% in 2000, reflecting the increasing use of mortgage insurance in certain mortgage securitizations and MGIC's share of this market. A portion of the loans insured in bulk transactions are refinanced loans. New insurance written on a flow basis increased $25.9 billion from 2000 to 2001.

The $86.1 billion of new primary insurance written during 2001 was offset by the cancellation of $62.4 billion of insurance in force, and resulted in a net increase of $23.7 billion in primary insurance in force, compared to new primary insurance written of $41.5 billion, the cancellation of $28.9 billion of insurance in force and a net increase of $12.6 billion in primary insurance in force during 2000.

New pool risk written during 2001 and 2000 was $411.7 million and $345.5 million, respectively. The Company's direct pool risk in force was $2.0 billion at December 31, 2001 compared to $1.7 billion at December 31, 2000.

Cancellations increased during 2001 compared to the cancellation levels of 2000 principally due to the lower mortgage interest rate environment which resulted in a decrease in the MGIC persistency rate to 61.0% at December 31, 2001 from 80.4% at December 31, 2000.

Net premiums written increased 17% to $1,036.4 million in 2001, from $887.4 million in 2000. Net premiums earned increased 17% to $1,042.3 million in 2001 from $890.1 million in 2000. The increases were primarily a result of the growth in insurance in force and a higher percentage of renewal premiums on products with higher premium rates, principally on insurance written though the bulk channel, offset in part by an increase in ceded premiums to $65.3 million in 2001, compared to $52.9 million in 2000. Premiums ceded in captive mortgage reinsurance arrangements and in risk sharing arrangements with the GSEs were $61.0 million in 2001 compared to $43.2 million in 2000.

Investment income for 2001 was $204.4 million, an increase of 14% over the $178.5 million in 2000. This increase was primarily the result of an increase in the amortized cost of average invested assets to $3.7 billion

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for 2001 from $3.1 billion for 2000, an increase of 18%. The portfolio's average pre-tax investment yield was 5.4% and 6.0% at December 31, 2001 and 2000, respectively. The portfolio's average after-tax investment yield was 4.6% and 4.9% at December 31, 2001 and 2000, respectively. The Company's net realized gains of $37.4 million during 2001 compared to $1.4 million in 2000, resulted primarily from the sale of fixed maturities.

Other revenue was $73.8 million in 2001, compared with $40.3 million in 2000. The increase is primarily the result of an increase in contract underwriting revenue and increases in equity earnings from C-BASS and Sherman.

For the years ended December 31, 2001 and 2000, C-BASS had revenues of approximately $224 million and $154 million, respectively, and expenses of approximately $138 million and $98 million, respectively, which resulted in income before tax of approximately $86 million and $56 million, respectively.

Net losses incurred increased 75% to $160.8 million in 2001, from $91.7 million in 2000. The increase was due to an increase in the primary notice inventory related to bulk default activity, which in turn was the result of the higher volume of bulk business; the maturation of the relatively large 1998 and 1999 books of business, which had entered their peak delinquency periods; and defaults arising from the early development of the 2000 book of business. The average claim paid for 2001 was $18,607 compared to $18,977 in 2000. For information about the notice inventory and default rates for 2001, see "2002 Compared with 2001."

Underwriting and other expenses increased to $234.5 million in 2001 from $177.8 million in 2000, an increase of 32%. The increase can be attributed to increases in both insurance and non-insurance expenses related to increased volume and contract underwriting.

Interest expense in 2001 increased to $30.6 million from $28.8 million in 2000 due to slightly higher weighted-average interest rates in 2001 compared to 2000, and higher weighted-average balances.

The consolidated insurance operations loss ratio was 15.4% for 2001 compared to 10.3% for 2000. The consolidated insurance operations expense and combined ratios were 16.5% and 31.9%, respectively, for 2001 compared to 16.4% and 26.7%, respectively for 2000.

The effective tax rate was 31.4% in 2001, compared to 31.3% in 2000. During both years, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investments. The higher effective tax rate in 2001 resulted from a lower percentage of total income before tax being generated from tax-preferenced investments in 2001.

Other Matters

In June 2001, the Federal District Court for the Southern District of Georgia, before which Downey et. al. v. MGIC was pending, issued a final order approving a settlement agreement and certified a nationwide class of borrowers. In the fourth quarter of 2000, the Company recorded a $23.2 million charge to cover the estimated costs of the settlement, including payments to borrowers. Due to appeals by certain class members and members of classes in two related cases, payments to borrowers in the settlement are delayed pending the outcome of the appeals. The settlement includes an injunction that prohibits certain practices and specifies the basis on which agency pool insurance, captive mortgage reinsurance, contract underwriting and other products may be provided in compliance with the Real Estate Settlement Procedures Act. There can be no assurance that the standards established by the injunction will be determinative of compliance with the Real Estate Settlement Procedures Act were additional litigation to be brought in the future.
The complaint in the case alleges that MGIC violated the Real Estate Settlement Procedures Act by providing agency pool insurance, captive mortgage reinsurance, contract underwriting and other products that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid at the time of judgment for the mortgage insurance found to be involved in a violation of the Real Estate Settlement Procedures Act. The complaint also seeks injunctive

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relief, including prohibiting MGIC from receiving future premium payments. If the settlement is not fully implemented, the litigation will continue. In these circumstances, there can be no assurance that the ultimate outcome of the litigation will not materially affect the Company's financial position or results of operations.

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

Financial Condition

Consolidated total investments and cash balances increased approximately $642 million to $4.7 billion at December 31, 2002 from $4.1 billion at December 31, 2001, primarily due to net cash provided by operating activities, the change in unrealized gains on securities marked to market of $176 million and the proceeds of the sale of the 6% Senior Notes discussed under "Liquidity and Capital Resources" below, offset by funds used to repurchase Common Stock discussed under "Liquidity and Capital Resources" below. The Company generated net cash from operating activities of $613.3 million for 2002, compared to $626.1 million generated during 2001. The decrease in operating cash flows during 2002 compared to 2001 is due primarily to increases in losses paid, offset by increases in renewal premiums, investment income and other revenue as discussed above.

As of December 31, 2002, the Company had $102.2 million of short-term investments with maturities of 90 days or less, and 82% of the portfolio was invested in tax-preferenced securities. In addition, at December 31, 2002, based on book value, the Company's fixed income securities were approximately 99% invested in `A' rated and above, readily marketable securities, concentrated in maturities of less than 15 years. At December 31, 2002, the Company had $10.8 million of investments in equity securities compared to $20.7 million at December 31, 2001.

At December 31, 2002, the Company's derivative financial instruments in its investment portfolio were immaterial. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At December 31, 2002, the effective duration of the Company's fixed income investment portfolio was 5.7 years. This means that for an instantaneous parallel shift in the yield curve of 100 basis points there would be an approximate 5.7% change in the market value of the Company's fixed income portfolio.

The Company's investments in unconsolidated joint ventures increased $78.4 million from $161.7 million at December 31, 2001 to $240.1 million at December 31, 2002 primarily as a result of equity earnings of $81.8 million and a $17.5 million contribution to affordable housing tax credit ventures, offset by $20.1 million of dividends received. The unconsolidated joint ventures are reported on the equity method. Only the Company's investment in the unconsolidated joint ventures appears on the Company's balance sheet.

Consolidated loss reserves increased to $733.2 million at December 31, 2002 from $613.7 million at December 31, 2001, reflecting increases in the primary and pool insurance notice inventories, as discussed earlier. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default.

Consolidated unearned premiums decreased $4.3 million from $174.5 million at December 31, 2001, to $170.2 million at December 31, 2002, primarily reflecting the continued high level of monthly premium policies written for which there is no unearned premium.

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Consolidated shareholders' equity increased to $3.4 billion at December 31, 2002, from $3.0 billion at December 31, 2001, an increase of 12%. This increase consisted of $629.2 million of net income during 2002, other comprehensive income, net of tax, of $101.3 million and $0.4 million from the consolidation of a previously unconsolidated joint venture that is now majority owned, offset by $345.5 million from the repurchase of treasury stock (net of reissuances) and dividends declared of $10.4 million.

Liquidity and Capital Resources

The Company's consolidated sources of funds consist primarily of premiums written and investment income. The Company generated positive cash flows from operating activities of approximately $613.3 million and $626.1 million for the years ended December 31, 2002 and 2001, respectively, as shown on the Consolidated Statement of Cash Flows. Positive cash flows are invested pending future payments of claims and other expenses. Substantially all of the investment portfolio securities are held by the Company's insurance subsidiaries.

The Company has a $285 million commercial paper program, which is rated `A-1' by Standard and Poors ("S&P") and `P-1' by Moody's. At December 31, 2002 and 2001, the Company had $177.3 million and $172.1 million in commercial paper outstanding with a weighted average interest rate of 1.46% and 1.91% at December 31, 2002 and 2001, respectively.

The Company had a $285 million credit facility available at December 31, 2002 expiring in 2006. Under the terms of the credit facility, as amended in July 2002, the Company must maintain shareholders' equity of at least $2.25 billion and MGIC must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders position (which includes MGIC's surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At December 31, 2002, the Company met these requirements. The facility is currently being used as a liquidity back up facility for the outstanding commercial paper. The remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $107.7 million at December 31, 2002.

In March of 2002, the Company issued, in a public offering, $200 million, 6% Senior Notes due in 2007. The notes are unsecured and were rated `A1' by Moody's, `A+' by S&P and `AA-' by Fitch. The Company had $300 million, 7.5% Senior Notes due in 2005 outstanding at December 31, 2002 and 2001.

In October 2002, the Company announced a new share repurchase program covering up to 5 million shares. During 2002, the Company repurchased 6.4 million shares at a cost of $373.3 million. Of these shares, 0.1 million were purchased under the new program and the remainder under a predecessor program which was completed. (The number of shares and the cost of the repurchases described in this paragraph include trades effected on or prior to December 31, 2002 but which settled thereafter.) From mid-1997 through December 31, 2002, the Company repurchased 21.4 million shares of Common Stock at a cost of $1.1 billion. Funds for the shares repurchased by the Company since mid-1997 have been provided through a combination of debt, including the Senior Notes and the commercial paper, and internally generated funds.

The commercial paper, back-up credit facility and the Senior Notes are obligations of the Company and not of its subsidiaries. The Company is a holding company and the payment of dividends from its insurance subsidiaries is restricted by insurance regulation. MGIC is the principal source of dividend-paying capacity. As a result of a $138 million dividend scheduled to be paid to the Company by MGIC in late March 2003, as of the date of the payment of such dividend, MGIC may not pay more than $1.7 million of additional dividends without the approval of the Office of the Commissioner of Insurance of the State of Wisconsin (the "OCI"). The first paragraph of Note 11 of the Notes to the Company's consolidated financial statements discusses the regulations of the OCI governing the payment of dividends without approval of the OCI.

Interest payments on all long-term and short-term debt (commercial paper is classified as short-term debt) were $36.2 million and $22.6 million for the years ended December 31, 2002 and 2001, respectively. At December 31, 2002, the market value of the short- and long-term debt is $721.9 million.

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The Company uses interest rate swaps to hedge interest rate exposure associated with its short- and long-term debt. In 2000, the Company paid an interest rate based on LIBOR and received a fixed rate of 7.5% to hedge the 5-year Senior Notes issued in the fourth quarter of 2000. These swaps were terminated in September 2001. In January 2002, the Company initiated a new swap which was designated as a fair value hedge of the 7.5% Senior Notes. This swap was terminated in June 2002. In May 2002, a swap designated as a cash flow hedge was amended to coincide with the new credit facility. Under the terms of the swap contract, the Company pays a fixed rate of 5.43% and receives an interest rate based on LIBOR. The swap has an expiration date coinciding with the maturity of the credit facility and is designated as a cash flow hedge. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items. Expenses on the swaps during 2002 and 2001 of approximately $1.8 million and $3.7 million, respectively, were included in interest expense. The cash flow swap outstanding at December 31, 2002 and 2001 is evaluated quarterly using regression analysis with any ineffectiveness being recorded as an expense. To date this evaluation has not resulted in any hedge ineffectiveness. The swaps are subject to credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

The Company's principal category of contingent liabilities is its obligation to pay claims under MGIC's mortgage guaranty insurance policies. At December 31, 2002, MGIC's direct (before any reinsurance) primary and pool risk in force (which is the unpaid principal balance of insured loans as reflected in the Company's records multiplied by the coverage percentage, and taking account of any contractual loss limit) was approximately $52.9 billion. In addition, as part of its contract underwriting activities, the Company is responsible for the quality of its underwriting decisions in accordance with the terms of the contract underwriting agreements with customers. Through December 31, 2002, the cost of remedies provided by the Company to customers for failing to meet the standards of the contracts has not been material. However, the decreasing trend of home mortgage interest rates over the last several years may have mitigated the effect of some of these costs since the general effect of lower interest rates can be to increase the value of certain loans on which remedies are provided. There can be no assurance that contract underwriting remedies will not be material in the future.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 8.7:1 at December 31, 2002 (determined using $42.4 billion of risk, which includes calculated risk of $274 million on $3.0 billion of contractual pool risk, and $4.9 billion of capital) compared to 9.1:1 at December 31, 2001. The decrease was due to MGIC's increased policyholders' reserves, partially offset by the net additional risk in force of $3.2 billion, net of reinsurance, during 2002.

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

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

Risk Factors

Our revenues and losses could be affected by the risk factors discussed below. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that the Company may make. Forward looking statements consist of statements which relate to matters other than historical fact. Among others, statements that include words such as the Company "believes," "anticipates" or "expects," or words of similar import, are forward looking statements.

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

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as unemployment, and whether the home of a borrower who defaults on his mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. Favorable economic conditions generally reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. A deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values.

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

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but increasingly with mortgage lenders through captive mortgage reinsurance transactions. In these transactions, a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated by the lender. In 1996, the Company shared risk under risk sharing arrangements with respect to virtually none of its new insurance written. During the nine months ended September 30, 2002, about 53% of the Company's new insurance written on a flow basis was subject to risk sharing arrangements. A substantial portion of the Company's captive mortgage reinsurance arrangements are structured on an excess of loss basis. The Company has decided that, effective March 31, 2003, it will not participate in excess of loss risk sharing arrangements with net premium cessions in excess of 25% on terms which are generally present in the market. The captive mortgage reinsurance programs of larger lenders generally are not consistent with the Company's position. Hence, the Company expects its position with respect to such risk sharing arrangements will result in a reduction of business from such lenders.

The level of competition within the private mortgage insurance industry has also increased as many large mortgage lenders have reduced the number of private mortgage insurers with whom they do business. At the same time, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders. The Company's top ten customers generated 27.0% of the new primary insurance that it wrote on a flow basis in 1997 compared to 39.5% in 2002.

Our private mortgage insurance competitors include:

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

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

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

o the level of current mortgage interest rates compared to the mortgage coupon rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings, and

o mortgage insurance cancellation policies of mortgage investors along with the rate of home price appreciation experienced by the homes underlying the mortgages in the insurance in force.

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

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

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

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

While we have not experienced lower volume in recent years other than as a result of declining refinancing activity, one of the risks we face is that higher interest rates will substantially reduce purchase activity by first-time homebuyers and that the decline in cancellations of insurance that in the past have accompanied higher interest rates will not be sufficient to offset the decline in premiums from loans that are not made.

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

These alternatives to private mortgage insurance include:

- lenders structuring mortgage originations to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10% loan-to-value ratio (referred to as an 80-10-10 loan) rather than a first mortgage with a 90% loan-to-value ratio,
- investors holding mortgages in portfolio and self-insuring,
- investors using credit enhancements other than private mortgage insurance or using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, and
- lenders using government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration.

While no data is publicly available, the Company believes that due to the current low interest rate environment and favorable economic conditions, 80-10-10 loans are a significant percentage of mortgage originations. Investors are using reduced mortgage insurance coverage on a higher percentage of loans that the Company insures than they had over the last several years.

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

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

- the level of private mortgage insurance coverage, subject to the limitations of Fannie Mae and Freddie Mac's charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,
- whether Fannie Mae or Freddie Mac influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,
- whether Fannie Mae or Freddie Mac will give mortgage lenders an incentive, such as a reduced guaranty fee, to select a mortgage insurer that has a `AAA' claims-paying ability rating to benefit from

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the lower capital requirements for Fannie Mae and Freddie Mac when a mortgage is insured by a company with that rating,

- the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which thereby affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans,

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

- the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

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

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

The mortgage insurance industry is subject to litigation risk.

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

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

Consolidated Statement of Operations

	2002	2001	2000
REVENUES:	(In thousands of dollars, except per share data)		
Premiums written:			
Direct	$ 1,292,283	$ 1,101,160	$ 939,482
Assumed	336	516	847
Ceded (note 7)	(114,664)	(65,323)	(52,941)
Net premiums written	1,177,955	1,036,353	887,388
Decrease in unearned premiums	4,143	5,914	2,703
Net premiums earned (note 7)	1,182,098	1,042,267	890,091
Investment income, net of expenses (note 4)	207,516	204,393	178,535
Realized investment gains, net (note 4)	29,113	37,352	1,432
Other revenue	147,076	73,829	40,283
Total revenues	1,565,803	1,357,841	1,110,341
LOSSES AND EXPENSES:			
Losses incurred, net (notes 6 and 7)	365,752	160,814	91,723
Underwriting and other expenses	265,633	234,494	177,837
Interest expense	36,776	30,623	28,759
Litigation settlement (note 13)	-	-	23,221
Total losses and expenses	668,161	425,931	321,540
Income before tax	897,642	931,910	788,801
Provision for income tax (note 10)	268,451	292,773	246,802
Net income	$ 629,191	$ 639,137	$ 541,999
Earnings per share (note 11):			
Basic	$ 6.07	$ 5.98	$ 5.10
Diluted	$ 6.04	$ 5.93	$ 5.05

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
December 31, 2002 and 2001

Consolidated Balance Sheet

	2002	2001
ASSETS (In thousands of dollars) Investment portfolio (note 4):		
Securities, available-for-sale, at fair value:		
Fixed maturities	$ 4,613,462	$ 3,888,740
Equity securities	10,780	20,747
Short-term investments	102,230	159,960
Total investment portfolio (amortized cost, 2002 - $4,466,183; 2001 - $3,985,656)	4,726,472	4,069,447
Cash	11,041	26,392
Accrued investment income	58,432	59,036
Reinsurance recoverable on loss reserves (note 7)	21,045	26,888
Reinsurance recoverable on unearned premiums (note 7)	8,180	8,415
Premiums receivable	97,751	78,853
Home office and equipment, net	35,962	34,762
Deferred insurance policy acquisition costs	31,871	32,127
Investments in joint ventures (note 8)	240,085	161,674
Other assets	69,464	69,418
Total assets	$ 5,300,303	$ 4,567,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves (notes 6 and 7)	$ 733,181	$ 613,664
Unearned premiums (note 7)	170,167	174,545
Short- and long-term debt (note 5)	677,246	472,102
Income taxes payable	133,843	80,937
Other liabilities	190,674	205,577
Total liabilities	1,905,111	1,546,825
Contingencies (note 13)		
Shareholders' equity (note 11):		
Common stock, $1 par value, shares authorized 300,000,000; shares issued 2002 - 121,418,637; 2001 - 121,110,800 outstanding 2002 - 100,251,444; 2001 - 106,086,594	121,419	121,111
Paid-in surplus	232,950	214,040
Members' equity	380	-
Treasury stock (shares at cost 2002 - 21,167,193; 2001 - 15,024,206)	(1,035,858)	(671,168)
Accumulated other comprehensive income - net of tax (note 2)	147,908	46,644
Retained earnings (note 11)	3,928,393	3,309,560
Total shareholders' equity	3,395,192	3,020,187
Total liabilities and shareholders' equity	$ 5,300,303	$ 4,567,012

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
Years Ended December 31, 2002, 2001 and 2000

Consolidated Statement of Shareholders' Equity

(In thousands of dollars)

	Common stock	Paid-in surplus	Members' equity	Treasury stock	Accumulated other comprehensive income (note 2)	Retained earnings	Comprehensive income
Balance, December 31, 1999......	$ 121,111	$ 211,593	$ -	$ (665,707)	$ (40,735)	$ 2,149,727	
Net income......................	-	-	-	-	-	541,999	$ 541,999
Unrealized investment gains (losses), net	-	-	-	-	116,549	-	116,549
Comprehensive income...........	-	-	-	-	-	-	$ 658,548
Dividends declared.............	-	-	-	-	-	(10,618)	
Repurchase of outstanding common shares.................	-	-	-	(6,224)	-	-	
Reissuance of treasury stock....	-	(3,711)	-	50,898	-	-	
Balance, December 31, 2000......	121,111	207,882	-	(621,033)	75,814	2,681,108	
Net income......................	-	-	-	-	-	639,137	$ 639,137
Unrealized investment gains (losses), net	-	-	-	-	(21,351)	-	(21,351)
Unrealized loss on derivatives, net	-	-	-	-	(7,819)	-	(7,819)
Comprehensive income...........	-	-	-	-	-	-	$ 609,967
Dividends declared.............	-	-	-	-	-	(10,685)	
Repurchase of outstanding common shares.................	-	-	-	(73,488)	-	-	
Reissuance of treasury stock....	-	6,158	-	23,353	-	-	
Balance, December 31, 2001......	121,111	214,040	-	(671,168)	46,644	3,309,560	
Net income......................	-	-	-	-	-	629,191	$ 629,191
Unrealized investment gains (losses), net (note 4)..................	-	-	-	-	114,724	-	114,724
Unrealized loss on derivatives, net (note 5)..................	-	-	-	-	(442)	-	(442)
Minimum pension liability adjustment, net (note 9)..................	-	-	-	-	(13,018)	-	(13,018)
Comprehensive income...........	-	-	-	-	-	-	$ 730,455
Change in members' equity.......	-	-	380	-	-	-	
Dividends declared.............	-	-	-	-	-	(10,358)	
Common stock shares issued......	308	16,101	-	-	-	-	
Repurchase of outstanding common shares.................	-	-	-	(373,281)	-	-	
Reissuance of treasury stock....	-	2,809	-	8,591	-	-	
Balance, December 31, 2002......	$ 121,419	$ 232,950	$ 380	$ (1,035,858)	$ 147,908	$ 3,928,393	

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION & SUBSIDIARIES
Years Ended December 31, 2002, 2001 and 2000

Consolidated Statement of Cash Flows

	2002	2001	2000
	(In thousands of dollars)		
Cash flows from operating activities:			
Net income	$ 629,191	$ 639,137	$ 541,999
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred insurance policy acquisition costs	25,862	22,233	20,597
Increase in deferred insurance policy acquisition costs	(25,606)	(28,521)	(24,086)
Depreciation and other amortization	12,292	8,281	6,860
Decrease (increase) in accrued investment income	604	(7,617)	(4,706)
Decrease in reinsurance recoverable on loss reserves	5,843	6,338	2,595
Decrease (increase) in reinsurance recoverable on unearned premiums	235	265	(2,050)
Increase (decrease) in loss reserves	119,517	4,118	(32,432)
Decrease in unearned premiums	(4,378)	(6,179)	(654)
Equity earnings in joint ventures	(81,240)	(28,097)	(18,113)
Other	(68,990)	16,161	61,027
Net cash provided by operating activities	613,330	626,119	551,037
Cash flows from investing activities:			
Purchase of equity securities	-	(71)	(14,629)
Purchase of fixed maturities	(2,804,029)	(2,801,654)	(1,807,718)
Investments in joint ventures	(17,528)	(15,000)	(19,180)
Proceeds from sale of equity securities	12,465	1,685	14,029
Proceeds from sale or maturity of fixed maturities	2,287,018	2,213,289	1,349,398
Net cash used in investing activities	(522,074)	(601,751)	(478,100)
Cash flows from financing activities:			
Dividends paid to shareholders	(10,358)	(10,685)	(10,618)
Proceeds from issuance of short- and long-term debt	202,087	205,521	309,079
Repayment of short- and long-term debt	-	(133,384)	(336,751)
Reissuance of treasury stock	6,179	16,830	18,699
Repurchase of common stock	(373,070)	(73,488)	(6,224)
Common stock shares issued	10,825	-	-
Net cash (used in) provided by financing activities	(164,337)	4,794	(25,815)
Net (decrease) increase in cash and cash equivalents	(73,081)	29,162	47,122
Cash and cash equivalents at beginning of year	186,352	157,190	110,068
Cash and cash equivalents at end of year	$ 113,271	$ 186,352	$ 157,190

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of business

MGIC Investment Corporation ("Company") is a holding company which, through Mortgage Guaranty Insurance Corporation ("MGIC") and several other subsidiaries, is principally engaged in the mortgage insurance business. The Company provides mortgage insurance to lenders throughout the United States to protect against loss from defaults on low down payment residential mortgage loans. Through certain other non-insurance subsidiaries, the Company also provides various services for the mortgage finance industry, such as contract underwriting and portfolio analysis and retention.

At December 31, 2002, the Company's direct primary insurance in force (representing the principal balance in the Company's records of all mortgage loans that it insures) and direct primary risk in force (representing the insurance in force multiplied by the insurance coverage percentage), excluding MGIC Indemnity Corporation ("MIC") was approximately $197.0 billion and $49.2 billion, respectively. In addition to providing direct primary insurance coverage, the Company also insures pools of mortgage loans. The Company's direct pool risk in force at December 31, 2002 was approximately $2.6 billion. MIC's direct primary insurance in force, direct primary risk in force and direct pool risk in force was approximately $0.4 billion, $0.3 billion and $0.2 billion, respectively, at December 31, 2002.

2. Basis of presentation and summary of significant accounting policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of MGIC Investment Corporation and its wholly-owned subsidiaries. All intercompany transactions have been eliminated. The Company's 45.9% investment in Credit-Based Asset Servicing and Securitization LLC ("C-BASS") and 45.5% investment in Sherman Financial Group LLC, ("Sherman"), which are joint ventures with Radian Group Inc., are accounted for using the equity method of accounting and recorded on the balance sheet as investments in joint ventures. The Company's equity earnings from these joint ventures are included in other revenue. (See note 8.)

The Company has certain other joint ventures and investments, accounted for in accordance with the equity method of accounting, of an immaterial amount.

Investments

The Company categorizes its investment portfolio according to its ability and intent to hold the investments to maturity. Investments which the Company does not have the ability and intent to hold to maturity are considered to be available-for-sale and are reported at fair value and the related unrealized gains or losses are, after considering the related tax expense or benefit, recognized as a component of accumulated other comprehensive income in shareholders' equity in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company's entire investment portfolio is classified as available-for-sale. Realized investment gains and losses are reported in income based upon specific identification of securities sold. (See note 4.)

Home office and equipment

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

Home office and equipment is shown net of accumulated depreciation of $38.6 million and

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$34.9 million at December 31, 2002 and 2001, respectively. Depreciation expense for the years ended December 31, 2002, 2001 and 2000 was $5.5 million, $4.9 million and $4.7 million, respectively.

Deferred insurance policy acquisition costs

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

During 2002, 2001 and 2000, the Company amortized $25.9 million, $22.2 million and $20.6 million, respectively, of deferred insurance policy acquisition costs.

Loss reserves

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

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

Reserves also provide for the estimated costs of settling claims, including legal and other expenses and general expenses of administering the claims settlement process. (See note 6.)

Revenue recognition

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

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

Income taxes

The Company and its subsidiaries file a consolidated federal income tax return. A formal tax sharing agreement exists between the Company and its subsidiaries. Each subsidiary determines income taxes based upon the utilization of all tax deferral elections available. This assumes tax and loss bonds are purchased and held to the extent they would have been purchased and held on a separate company basis since the tax sharing agreement provides that the redemption or non-purchase of such bonds shall not increase such member's separate taxable income and tax liability on a separate company basis.

Federal tax law permits mortgage guaranty insurance companies to deduct from taxable income, subject to certain limitations, the amounts added to contingency loss reserves. Generally, the amounts so deducted must be included in taxable income in the tenth subsequent year. The deduction is allowed only to the extent that U.S. government non-interest bearing tax and loss bonds are purchased and held in an amount equal to the tax benefit attributable to such deduction. The Company accounts for these purchases as a payment of current federal income taxes.

Deferred income taxes are provided under the liability method, in accordance with SFAS No. 109, Accounting for Income Taxes, which recognizes the future tax effects of temporary differences between amounts reported in the financial statements and the tax bases of these items. The expected tax effects are computed at the current federal tax rate. (See note 10.)

Benefit plans

The Company has a non-contributory defined benefit pension plan covering substantially all employees. Retirement benefits are based on compensation and years of service. The Company's policy is to fund pension cost as required under the Employee Retirement Income Security Act of 1974. (See note 9.)

The Company accrues the estimated costs of retiree medical and life benefits over the period during which employees render the service that qualifies them for benefits. The Company offers both medical and dental benefits for retired employees and their spouses. Benefits are generally funded on a pay-as-you-go basis. The cost to the Company was not significant in 2002, 2001 and 2000. (See note 9.)

Stock-based compensation

The Company has certain stock-based compensation plans, as more fully discussed in Note 11. The Company accounts for these plans under the expense and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. The following table illustrates the effect on net income and earnings per share if the fair value based method under SFAS No. 123, Accounting for Stock-Based Compensation, had been applied to all outstanding and unvested awards in each period (in thousands, except per share amounts).

	Years Ended December 31,		
	2002	2001	2000
Net income, as reported...	$ 629,191	$ 639,137	$ 541,999
Add stock-based employee compensation expense included in reported earning, net of tax.....	2,610	2,038	1,840
Deduct stock-based employee compensation expense, determined under the fair value method, net of tax......	(12,425)	(13,483)	(11,374)
Pro forma net income......	$ 619,376	$ 627,692	$ 532,465
Earnings per share:			
Basic, as reported......	$ 6.07	$ 5.98	$ 5.10
Basic, pro forma........	$ 5.97	$ 5.87	$ 5.01
Diluted, as reported....	$ 6.04	$ 5.93	$ 5.05
Diluted, pro forma......	$ 5.94	$ 5.82	$ 4.96

Reinsurance

Loss reserves and unearned premiums are reported before taking credit for amounts ceded under reinsurance treaties. Ceded loss reserves are reflected as "Reinsurance recoverable on loss reserves." Ceded unearned premiums are reflected as "Reinsurance recoverable on unearned premiums." The Company remains contingently liable for all reinsurance ceded. (See note 7.)

Earnings per share

The Company's basic and diluted earnings per share ("EPS") have been calculated in accordance with SFAS No. 128, Earnings Per Share. The Company's net income is the same for both basic and diluted EPS. Basic EPS is based on the weighted-average number of common shares outstanding. Diluted EPS is based on the weighted-average number of common shares outstanding and common stock equivalents which would arise from the exercise of stock options. The following is a reconciliation of the weighted-average number of shares used for basic EPS and diluted EPS. (See note 11.)

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	Years Ended December 31,		
	2002	2001	2000
	(shares in thousands)		
Weighted-average shares - Basic	103,725	106,941	106,202
Common stock equivalents	489	854	1,058
Weighted-average shares - Diluted	104,214	107,795	107,260

Statement of cash flows

For purposes of the consolidated statement of cash flows, the Company considers short-term investments with original maturities of three months or less to be cash equivalents.

Comprehensive income

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

	Years Ended December 31,		
	2002	2001	2000
	(in thousands of dollars)		
Net income..................	$ 629,191	$ 639,137	$ 541,999
Other comprehensive income (loss).............	101,264	(29,170)	116,549
Total comprehensive income	$ 730,455	$ 609,967	$ 658,548
Other comprehensive income (loss) (net of tax):			
Cumulative effect - SFAS No. 133.................	$ N/A	$ (5,982)	$ N/A
Net derivative losses......	(1,524)	(2,919)	N/A
Amortization of deferred losses	1,082	1,082	N/A
Unrealized gain (loss) on investments.............	114,724	(21,351)	116,549
Minimum pension liability adjustment..............	(13,018)	-	-
Other comprehensive income (loss).............	$ 101,264	$ (29,170)	$ 116,549

The difference between the Company's net income and total comprehensive income for the years ended December 31, 2002, 2001 and 2000 is due to the change in unrealized appreciation/ depreciation on investments, the cumulative effect of the adoption of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, the fair value adjustment and amortization of deferred losses relating to derivative financial instruments and a minimum pension liability adjustment, all net of tax. At December 31, 2002, accumulated other comprehensive income of $147.9 million includes $169.2 million of net unrealized gains on investments, ($13.0) million relating to the minimum pension liability and ($8.3) million relating to derivative financial instruments. (See notes 4, 5 and 9.)

Recent accounting pronouncements

The Company adopted SFAS No. 133 effective January 1, 2001. The statement establishes accounting and reporting standards for derivative instruments and for hedging activities. The adoption of SFAS No. 133 did not have a significant effect on the Company's results of operations or its financial position due to its limited use of derivative instruments. (See note 5.)

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and intangible assets with indefinite useful lives are no longer amortized, but rather, are subject to review for impairment. The Company adopted SFAS No. 142, effective January 1, 2002. The adoption had an immaterial impact on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. Adoption of SFAS No. 144 in 2002 had no effect on the Company's financial statements.

Reclassifications

Certain reclassifications have been made in the accompanying financial statements to 2001 and 2000 amounts to allow for consistent financial reporting.

3. Related party transactions

The Company provided certain services to C-BASS in 2002, 2001 and 2000 in exchange for an immaterial amount of fees. In addition, C-BASS provided certain services to the Company during 2002, 2001 and 2000 in exchange for an immaterial amount of fees.

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4. Investments

The following table summarizes the Company's investments at December 31, 2002 and 2001:

	Amortized Cost	Fair Value	Financial Statement Value
	(In thousands of dollars)		
At December 31, 2002:			
Securities, available-for-sale:			
Fixed maturities	$ 4,353,174	$ 4,613,462	$ 4,613,462
Equity securities	10,779	10,780	10,780
Short-term investments	102,230	102,230	102,230
Total investment portfolio	$ 4,466,183	$ 4,726,472	$ 4,726,472
At December 31, 2001:			
Securities, available-for-sale:			
Fixed maturities	$ 3,804,274	$ 3,888,740	$ 3,888,740
Equity securities	21,481	20,747	20,747
Short-term investments	159,901	159,960	159,960
Total investment portfolio	$ 3,985,656	$ 4,069,447	$ 4,069,447

The amortized cost and fair value of investments at December 31, 2002 are as follows:

December 31, 2002:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 392,346	$ 11,929	$ (3)	$ 404,272
Obligations of states and political subdivisions	3,725,062	232,487	(1,267)	3,956,282
Corporate securities	247,828	12,586	(100)	260,314
Mortgage-backed securities	76,154	2,971	(5)	79,120
Debt securities issued by foreign sovereign governments	14,014	1,690	-	15,704
Total debt securities	4,455,404	261,663	(1,375)	4,715,692
Equity securities	10,779	1	-	10,780
Total investment portfolio	$ 4,466,183	$ 261,664	$ (1,375)	$ 4,726,472

The amortized cost and fair value of investments at December 31, 2001 are as follows:

December 31, 2001:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 307,761	$ 3,486	$ (5,799)	$ 305,448
Obligations of states and political subdivisions	2,998,688	85,336	(14,513)	3,069,511
Corporate securities	564,659	15,201	(1,497)	578,363
Mortgage-backed securities	79,082	1,089	-	80,171
Debt securities issued by foreign sovereign governments	13,985	1,222	-	15,207
Total debt securities	3,964,175	106,334	(21,809)	4,048,700
Equity securities	21,481	-	(734)	20,747
Total investment portfolio	$ 3,985,656	$ 106,334	$ (22,543)	$ 4,069,447

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The amortized cost and fair values of debt securities at December 31, 2002, by contractual maturity, are shown below. Debt securities consist of fixed maturities and short-term investments. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In thousands of dollars)	
Due in one year or less........	$ 174,754	$ 175,766
Due after one year through five years...................	738,608	774,812
Due after five years through ten years....................	1,039,705	1,108,558
Due after ten years...........	2,426,183	2,577,436
	4,379,250	4,636,572
Mortgage-backed securities.....	76,154	79,120
Total at December 31, 2002.....	$ 4,455,404	$ 4,715,692

Net investment income is comprised of the following:

	2002	2001	2000
	(In thousands of dollars)		
Fixed maturities.......	$ 199,472	$ 195,821	$ 167,810
Equity securities......	3,707	2,953	1,279
Short-term investments.	5,611	6,863	10,673
Other	832	495	341
Investment income......	209,622	206,132	180,103
Investment expenses....	(2,106)	(1,739)	(1,568)
Net investment income..	$ 207,516	$ 204,393	$ 178,535

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

	2002	2001	2000
	(In thousands of dollars)		
Net realized investment gains (losses), on sale of investments:			
Fixed maturities........	$ 38,357	$ 38,199	$ 1,440
Equity securities.......	(9,283)	(876)	-
Short-term investments..	39	29	(8)
	29,113	37,352	1,432
Change in net unrealized appreciation (depreciation):			
Fixed maturities........	175,822	(32,032)	182,387
Equity securities.......	735	(873)	(3,084)
Short-term investments..	(59)	59	-
	176,498	(32,846)	179,303
Net realized investment gains (losses) and change in net unrealized appreciation (depreciation)	$ 205,611	$ 4,506	$ 180,735

The gross realized gains and the gross realized losses on sales of securities were $47.2 million and $18.1 million, respectively, in 2002, $50.8 million and $13.4 million, respectively, in 2001 and $18.2 million and $16.8 million, respectively, in 2000.

The tax (benefit) expense of the changes in net unrealized (depreciation) appreciation was $61.8 million, ($11.5) million and $62.8 million for 2002, 2001 and 2000, respectively.

5. Short- and long-term debt

During the first quarter of 2001, the Company established a $200 million commercial paper program, which was rated `A-1' by Standard and Poors ("S&P") and `P-1' by Moody's. At December 31, 2002 and 2001, the Company had $177.3 million and $172.1 million in commercial paper outstanding with a weighted average interest rate of 1.46% and 1.91% at December 31, 2002 and 2001, respectively.

The Company had a $285 million credit facility available at December 31, 2002, expiring in 2006. Under the terms of the credit facility, as amended in July 2002, the Company must maintain shareholders' equity of at least $2.25 billion and MGIC must maintain a risk-to-capital ratio of not more than 22:1 and maintain policyholders' position (which includes MGIC's surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulation. At December 31, 2002, the Company met these requirements. The facility is currently being used as a liquidity back-up facility for the outstanding commercial paper. The remaining credit available under the facility after reduction for the amount necessary to support the commercial paper was $107.7 million at December 31, 2002.

In March of 2002, the Company issued, in a public offering, $200 million, 6% Senior Notes due in 2007. The notes are unsecured and were rated `A1' by Moody's, `A+' by S&P and `AA-' by Fitch. The Company had $300 million, 7.5% Senior Notes due in 2005 outstanding at December 31, 2002 and 2001.

Interest payments on all long-term and short-term debt were $36.2 million, $22.6 million and $27.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. At December 31, 2002, the market value of the outstanding debt is $721.9 million.

The Company uses interest rate swaps to hedge interest rate exposure associated with its short- and long-term debt. In 2000, the Company paid an interest rate based on LIBOR and received a fixed rate of 7.5% to hedge the 5-year Senior Notes issued in the fourth quarter of 2000. These swaps were terminated in September 2001. In January 2002, the Company initiated a new swap which was designated as a fair value hedge of the 7.5% Senior Notes. This swap was terminated in June 2002. In May 2002, a swap designated as a cash flow hedge was amended to coincide with the new credit facility. Under the terms of the swap contract, the Company pays a fixed rate of 5.43% and receives an interest rate based on LIBOR. The swap has an expiration date coinciding with the maturity of the credit facility and is designated as a cash flow hedge. Gains or losses arising from the amendment or termination of interest rate swaps are deferred and amortized to interest expense over the life of the hedged items. Expenses on the swaps during 2002 and 2001, of approximately $1.8 million and $3.7 million, respectively, were included in interest expense. The cash flow swap outstanding at December 31, 2002 and 2001 is evaluated quarterly using regression analysis with any ineffectiveness being recorded as an expense. To date this evaluation has not resulted in any hedge ineffectiveness. The swaps are subject to credit risk to the extent the counterparty would be unable to discharge its obligations under the swap agreements.

6. Loss reserves

Loss reserve activity was as follows:

	2002	2001	2000
	(In thousands of dollars)		
Reserve at beginning of year	$ 613,664	$ 609,546	$ 641,978
Less reinsurance recoverable............	26,888	33,226	35,821
Net reserve at beginning of year................	586,776	576,320	606,157
Reserve transfer (1)......	-	-	85
Adjusted reserve at beginning of year.......	586,776	576,320	606,242
Losses incurred:			
Losses and LAE incurred in respect of default notices received in:			
Current year........	440,004	372,940	320,769
Prior years (2).....	(74,252)	(212,126)	(229,046)
Subtotal..........	365,752	160,814	91,723
Losses paid:			
Losses and LAE paid in respect of default notices received in:			
Current year........	19,546	14,047	9,044
Prior years.........	220,846	136,311	112,601
Subtotal..........	240,392	150,358	121,645
Net reserve at end of year	712,136	586,776	576,320
Plus reinsurance recoverables.............	21,045	26,888	33,226
Reserve at end of year....	$ 733,181	$ 613,664	$ 609,546

(1) Received in conjunction with the cancellation of certain reinsurance treaties. (See note 7.)

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

The top portion of the table above shows losses incurred on default notices received in the current year and in prior years, respectively. The amount of losses incurred relating to default notices received in the current year represents the estimated amount to be ultimately paid on such default notices. The amount of losses incurred relating to default notices received in prior years represents an adjustment made in the current year for defaults which were included in the loss reserve at the end of the prior year.

Current year losses incurred increased from 2001 to 2002 primarily due to an increase in the primary notice inventory related to bulk default activity and defaults arising from the early development of the 2000 and 2001 flow books of business as well as a modest increase in losses paid. The primary insurance notice inventory increased from 54,653 at December 31, 2001 to 73,648 at December 31, 2002 and pool insurance notice

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inventory increased from 23,623 at December 31, 2001 to 26,676 at December 31, 2002. The average claim paid for 2002 was $20,115 compared to $18,607 in 2001. In 2002, the primary determinant of incurred losses has been the level and composition of the notice inventory, rather than claim severity.

The favorable development of the reserves in 2002, 2001 and 2000 is reflected in the prior year line, and results from the actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 2001, 2000 and 1999, respectively.

The lower portion of the table above shows the breakdown between claims paid on default notices received in the current year and default notices received in prior years. Since it takes, on average, about twelve months for a default which is not cured to develop into a paid claim, most losses paid relate to default notices received in prior years.

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

	December 31, 2002	December 31, 2001
Total loans delinquent.........	73,648	54,653
Percentage of loans delinquent (default rate)...............	4.45%	3.46%
Flow loans delinquent..........	43,196	36,193
Percentage of flow loans delinquent (default rate)....	3.19%	2.65%
Bulk loans delinquent..........	30,452	18,460
Percentage of bulk loans delinquent (default rate)....	10.09%	8.59%
A-minus and subprime credit loans delinquent (1).........	25,504	15,649
Percentage of A-minus and subprime credit loans delinquent (default rate)....	12.68%	11.60%

(1) A portion of A-minus and subprime credit loans is included in flow loans delinquent and the remainder is included in bulk loans delinquent. Most A-minus and subprime credit loans are written through the bulk channel.

7. Reinsurance

The Company cedes a portion of its business to reinsurers and records assets for reinsurance recoverable on estimated reserves for unpaid losses and unearned premiums. Business written between 1985 and 1993 is ceded under various quota share reinsurance agreements with several reinsurers. The Company receives a ceding commission in connection with this reinsurance. Beginning in 1997, the Company has ceded business to captive reinsurance subsidiaries of certain mortgage lenders primarily under excess of loss agreements.

The reinsurance recoverable on loss reserves and the reinsurance recoverable on unearned premiums primarily represent amounts recoverable from large international reinsurers. The Company monitors the financial strength of its reinsurers including their claims paying ability rating and does not currently anticipate any collection problems. Generally, reinsurance recoverables on loss reserves and unearned premiums are backed by trust funds or letters of credit. No reinsurer represents more than $10 million of the aggregate amount recoverable.

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

	2002	2001	2000
	(In thousands of dollars)		
Premiums earned:			
Direct..............	$ 1,296,548	$ 1,107,168	$ 939,981
Assumed.............	448	686	999
Ceded	(114,898)	(65,587)	(50,889)
Net premiums earned.	$ 1,182,098	$ 1,042,267	$ 890,091
Losses incurred:			
Direct..............	$ 367,149	$ 157,360	$ 93,218
Assumed.............	(208)	(123)	35
Ceded	(1,189)	3,577	(1,530)
Net losses incurred.	$ 365,752	$ 160,814	$ 91,723

8. Investments in joint ventures

C-BASS is a mortgage investment and servicing firm specializing in credit-sensitive single-family residential mortgage assets and residential mortgage-backed securities. C-BASS principally invests in whole loans (including subprime loans) and mezzanine and subordinated residential mortgage-backed securities backed by non-conforming residential mortgage loans. C-BASS's principal sources of revenues during the last three years were gains on securitization and liquidation of mortgage-related assets, servicing fees and net interest income (including accretion on mortgage securities), which revenue items were offset by unrealized losses. C-BASS's results of operations are affected by the timing of its securitization transactions. Virtually all of C-BASS's assets do not have readily ascertainable market values and, as a result, their value for financial statement purposes is estimated by the management of C-BASS. These estimates reflect the net present value of the future expected cash flows from the assets, which in turn depend on, among other things, estimates of the level of losses on the underlying mortgages and prepayment activity by the mortgage borrowers. Market value adjustments could impact C-BASS's results of operations and the Company's share of those results.

Total consolidated assets of C-BASS at December 31, 2002 and 2001 were approximately $1.8 billion and $1.3 billion, respectively. Total liabilities at December 31, 2002 and 2001 were approximately $1.4 billion and $1.0 billion, respectively, of which approximately $1.1 billion and $0.9 billion, respectively, were funding arrangements, including accrued interest, virtually all of which mature within one year or less. For the years ended December 31, 2002 and 2001, revenues of approximately $311 million and $216 million, respectively, and expenses of approximately $173 million and $130 million, respectively, resulted in income before tax of approximately $138 million and $86 million, respectively. The Company's investment in C-BASS on an equity basis at December 31, 2002 was $168.7 million.

Sherman is engaged in the business of purchasing and servicing delinquent consumer assets such as credit card loans and Chapter 13 bankruptcy debt. A substantial portion of Sherman's consolidated assets are investments in consumer receivable portfolios that do not have readily ascertainable market values. Sherman's results of operations are sensitive to estimates by Sherman's management of ultimate collections on these portfolios. The Company's investment in Sherman on an equity basis at December 31, 2002 was $54.4 million.

Because C-BASS and Sherman are accounted for by the equity method, they are not consolidated with the Company and their assets and liabilities do not appear in the Company's balance sheet. The "investments in joint ventures" item in the Company's balance sheet reflects the amount of capital contributed by the Company to the joint ventures plus the Company's share of their net income (or minus its share of their net loss) and minus capital distributed to the Company by the joint ventures. (See note 2.)

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9. Benefit plans

The following tables provide reconciliations of the changes in the benefit obligation, fair value of plan assets and funded status of the pension and other postretirement benefit plans:

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
	(In thousands of dollars)			
Reconciliation of benefit obligation:				
Benefit obligation at beginning of year	$ 91,629	$ 74,182	$ 36,732	$ 27,924
Service cost	6,580	5,113	3,136	2,065
Interest cost	6,585	5,518	2,711	2,056
Plan amendment (1)	2,092	1,202	-	-
Actuarial loss (gain)	5,708	6,838	4,361	5,336
Benefits paid	(1,409)	(1,224)	(630)	(649)
Benefit obligation at end of year	$ 111,185	$ 91,629	$ 46,310	$ 36,732
Reconciliation of fair value of plan assets:				
Fair value of plan assets at beginning of year	$ 90,159	$ 86,285	$ 14,102	$ 13,556
Actual return on plan assets	(17,288)	(4,385)	(3,004)	(1,095)
Employer contributions	19,703	9,483	2,088	1,641
Benefits paid	(1,409)	(1,224)	-	-
Fair value of plan assets at end of year	$ 91,165	$ 90,159	$ 13,186	$ 14,102
Reconciliation of funded status:				
Benefit obligation at end of year	$ (111,185)	$ (91,629)	$ (46,310)	$ (36,732)
Fair value of plan assets at end of year	91,165	90,159	13,186	14,102
Funded status at end of year	(20,020)	(1,470)	(33,124)	(22,630)
Unrecognized net actuarial loss (gain)	38,506	8,935	12,346	4,075
Unrecognized net transition obligation	-	-	5,299	5,829
Unrecognized prior service cost	4,448	2,864	-	-
Net amount recognized	$ 22,934	$ 10,329	$ (15,479)	$ (12,726)

(1) The plan has been amended to provide additional benefits for certain participants as listed in the plan documents and for the increased benefit and salary limits on the projected benefit obligation.

The following table provides the components of net periodic benefit cost for the pension and other postretirement benefit plans:

	Pension Benefits			Other Postretirement Benefits		
	2002	2001	2000	2002	2001	2000
	(In thousands of dollars)					
Service cost	$ 6,580	$ 5,113	$ 4,734	$ 3,137	$ 2,065	$ 1,943
Interest cost	6,585	5,518	4,885	2,711	2,056	1,831
Expected return on plan assets	(6,712)	(6,350)	(6,496)	(1,058)	(1,016)	(1,009)
Recognized net actuarial loss (gain)	32	(27)	(520)	152	(54)	(146)
Amortization of transition obligation	-	-	32	530	530	530
Amortization of prior service cost	507	232	183	-	-	-
Net periodic benefit cost	$ 6,992	$ 4,486	$ 2,818	$ 5,472	$ 3,581	$ 3,149

The assumptions used in the measurement of the Company's pension and other postretirement benefit obligations are shown in the following table:

	Pension Benefits			Other Postretirement Benefits		
	2002	2001	2000	2002	2001	2000
Weighted-average interest rate assumptions as of December 31:						
Discount rate	6.75%	7.00%	7.50%	6.75%	7.00%	7.50%
Expected return on plan assets	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Rate of compensation increase	4.50%	6.00%	6.00%	N/A	N/A	N/A

Plan assets consist of fixed maturities and equity securities. The Company is amortizing the unrecognized transition obligation for other postretirement benefits over 20 years.

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation are:

Medical	8.5% for 2002 graded down by 0.5% per year to 6.0% in 2007 and remaining level thereafter.
Dental	6.0% per year.

A 1% change in the health care trend rate assumption would have the following effects on other postretirement benefits:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(In thousands of dollars)	
Effect on total service and interest cost components	$ 1,382	$ (1,103)
Effect on postretirement benefit obligation	9,895	(7,932)

The Company has a profit sharing and 401(k) savings plan for employees. At the discretion of the Board of Directors, the Company may make a profit sharing contribution of up to 5% of each participant's compensation. The Company provides a matching 401(k) savings contribution on employees' before-tax contributions at a rate of 80% of the first $1,000 contributed and 40% of the next $2,000 contributed. Profit sharing costs and the Company's matching contributions to the 401(k) savings plan were $6.3 million, $5.8 million and $4.7 million in 2002, 2001 and 2000, respectively.

10. Income taxes

The components of the net deferred tax liability as of December 31, 2002 and 2001 are as follows:

	2002	2001
	(In thousands of dollars)	
Unearned premium reserves	$ (14,470)	$ (11,269)
Deferred policy acquisition costs	11,155	11,244
Loss reserves	(6,163)	(4,009)
Unrealized appreciation in investments	86,653	25,116
Contingency loss reserves	43,268	50,018
Mortgage investments	57,829	45,966
Litigation settlement	(7,918)	(7,918)
Investments in joint ventures	(9,804)	3,074
Other, net	(12,145)	(5,772)
Net deferred tax liability	$ 148,405	$ 106,450

At December 31, 2002, gross deferred tax assets and liabilities amount to $87.0 million and $235.4 million, respectively. Management believes that all gross deferred tax assets at December 31, 2002 are fully realizable and no valuation reserve is established.

The following summarizes the components of the provision for income tax:

	2002	2001	2000
	(In thousands of dollars)		
Federal:			
Current	$ 277,536	$ 248,679	$ 208,949
Deferred	(12,572)	40,376	34,476
State	3,487	3,718	3,377
Provision for income tax	$ 268,451	$ 292,773	$ 246,802

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The Company paid $261.3 million, $271.3 million and $199.9 million in federal income tax in 2002, 2001 and 2000, respectively. At December 31, 2002 and 2001, the Company owned $1,181.9 million and $1,004.3 million, respectively, of tax and loss bonds.

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The reconciliation of the tax provision computed at the federal tax rate of 35% to the reported provision for income tax is as follows:

	2002	2001	2000
	(In thousands of dollars)		
Tax provision computed at federal tax rate..	$ 314,175	$ 326,169	$ 276,080
(Decrease) increase in tax provision resulting from:			
Tax exempt municipal bond interest.........	(46,381)	(35,715)	(32,350)
Other, net.........	657	2,319	3,072
Provision for income tax	$ 268,451	$ 292,773	$ 246,802

11. Shareholders' equity and dividend restrictions

The Company's insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. As the result of an extraordinary dividend paid by MGIC in February 2002, MGIC cannot pay any dividends without regulatory approval until February 16, 2003. Thereafter, MGIC can pay $154.8 million of dividends. The other insurance subsidiaries of the Company can pay $8.7 million of dividends without such regulatory approval.

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

In 2002, 2001 and 2000, the Company paid dividends of $10.4 million, $10.7 million and $10.6 million, respectively, or $0.10 per share in 2002, 2001 and 2000.

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

Under statutory accounting practices, mortgage guaranty insurance companies are required to maintain contingency loss reserves equal to 50% of premiums earned. Such amounts cannot be withdrawn for a period of ten years except as permitted by insurance regulations. Contingency loss reserves are not reflected as liabilities under GAAP.

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

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

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

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

The statutory net income, equity and the contingency reserve liability of the insurance subsidiaries (excluding the non-insurance companies) are as follows:

Year Ended December 31,	Net Income	Equity	Contingency Reserve
	(In thousands of dollars)		
2002	$ 296,595	$ 1,634,707	$ 3,521,100
2001	426,294	1,451,808	3,039,332
2000	348,137	991,343	2,616,653

Effective January 1, 2001, the OCI required that insurance companies domiciled in the State of Wisconsin prepare their statutory basis financial statements in accordance with new guidance contained in the National Association of Insurance Commissioners' "Accounting Practices and Procedures Manual" version effective on that date. The effect of the adoption in 2001 did not have a material impact on the Company's insurance subsidiaries' statutory surplus. The most significant change affecting surplus is the requirement to record deferred income taxes.

The Company has 1991 and 2002 stock incentive plans. When the 2002 plan was adopted in 2002, no further awards could be made under the 1991 plan. The number of shares covered by awards under the 2002 plan is the total of 10 million shares plus the number of shares covered by awards under the 1991 plan that were outstanding on March 1, 2002 that are subsequently forfeited and the number of shares that must be purchased at a purchase price of not less than the fair market value of the shares as a condition to the award of restricted stock under the 2002 plan. The maximum number of shares of restricted stock that can be awarded under the 2002 plan is 1 million shares. Both plans provide for the award of stock options with maximum terms of 10 years and for the grant of restricted stock, and the 2002 plan also provides for the grant of stock appreciation rights. The exercise price of options is the closing price of the common stock on the New York Stock Exchange on the date of grant. The vesting provisions of options and restricted stock are determined at the time of grant. Directors may receive awards under the 2002 plan and were eligible for awards of restricted stock under the 1991 plan.

No awards under the 2002 plan were made in 2002. A summary of activity in the 1991 stock option plans during 2000, 2001 and 2002 is as follows:

	Weighted Average Exercise Price	Shares Subject to Option
Outstanding, December 31, 1999...	$ 30.52	3,546,264
Granted.......................	45.40	954,000
Exercised.....................	16.91	(1,080,208)
Canceled......................	37.96	(35,060)
Outstanding, December 31, 2000...	38.96	3,384,996
Granted.......................	57.90	533,750
Exercised.....................	29.28	(555,952)
Canceled......................	44.15	(25,107)
Outstanding, December 31, 2001...	43.56	3,337,687
Granted.......................	63.86	818,000
Exercised.....................	34.46	(516,828)
Canceled......................	49.32	(51,300)
Outstanding, December 31, 2002...	49.42	3,587,559

The exercise price of the options granted in 2000, 2001 and 2002 was equal to the market value of the stock on the date of grant. The options are exercisable between one and ten years after the date of grant. At December 31, 2002, 10,052,621 shares were available for future grant under the stock option plan.

Information about restricted stock granted during 2002, 2001 and 2000 is as follows:

	Year Ended December 31, 2002	2001	2000
Shares granted........	95,638	58,180	78,598
Weighted average grant date fair market value.............	$ 64.33	$ 57.93	$ 42.57

For purposes of determining the pro forma net income disclosure in Note 2, as if compensation expense were determined using the fair value method described in SFAS No. 123, the fair value of these options was estimated at grant date using the Black-Scholes option pricing model with the following weighted average assumptions for each year:

	Grants Issued in Year Ended December 31,		
	2002	2001	2000
Risk free interest rate	4.51%	5.10%	6.75%
Expected life..........	5.0 years	5.0 years	6.8 years
Expected volatility....	41.96%	39.64%	33.62%
Expected dividend yield	0.24%	0.16%	0.15%
Fair value of each option.................	$27.15	$24.43	$21.96

The following is a summary of stock options outstanding at December 31, 2002:

Exercise Price Range	Options Outstanding Shares	Remaining Average Life (yrs.)	Weighted Average Exercise Price	Options Exercisable Shares	Weighted Average Exercise Price
$9.63-$20.88	67,600	1.1	$15.69	67,600	$ 15.69
$26.69-$47.31	2,073,609	5.8	41.86	1,263,809	39.77
$53.70-$68.63	1,446,350	8.4	61.83	208,150	61.32
Total	3,587,559	6.8	49.42	1,539,559	41.62

At December 31, 2001 and 2000, option shares of 1,486,768 and 1,229,038 were exercisable at an average exercise price of $37.55 and $31.93, respectively. The Company also granted an immaterial amount of equity instruments other than options and restricted stock during 2000, 2001 and 2002.

Under terms of the Company's Shareholder Rights Agreement each outstanding share of the Company's Common Stock is accompanied by one Right. The "Distribution Date" occurs ten days after an announcement that a person has become the beneficial owner (as defined in the Agreement) of the Designated Percentage of the Company's Common Stock (the date on which such an acquisition occurs is the "Shares Acquisition Date" and a person who makes such an acquisition is an "Acquiring Person"), or ten business days after a person announces or begins a tender offer in which consummation of such offer would result in ownership by a person of 15 percent or more of the Common Stock. The Designated Percentage is 15% or more, except that for certain investment advisers and investment companies advised by such advisers, the Designated Percentage is 17.5% or more if certain conditions are met. The Rights are not exercisable until the Distribution Date. Each Right will initially entitle shareholders to buy one-half of one share of the Company's Common Stock at a Purchase Price of $225 per full share (equivalent to $112.50 for each one-half share), subject to adjustment. If there is an Acquiring Person, then each Right (subject to certain limitations) will entitle its holder to purchase, at the Rights' then-current Purchase Price, a number of shares of Common Stock of the Company (or if after the Shares Acquisition Date, the Company is acquired in a business combination, common shares of the acquiror) having a market value at the time equal to twice the Purchase Price. The Rights will expire on July 22, 2009, subject to extension. The Rights are redeemable at a price of $0.001 per Right at any time prior to the time a person becomes an Acquiring Person. Other than certain amendments, the Board of Directors may amend the Rights in any respect without the consent of the holders of the Rights.

12. Leases

The Company leases certain office space as well as data processing equipment and autos under operating leases that expire during the next seven years. Generally, all rental payments are fixed.

Total rental expense under operating leases was $7.4 million, $6.7 million and $5.3 million in 2002, 2001 and 2000, respectively.

At December 31, 2002, minimum future operating lease payments are as follows (in thousands of dollars):

2003	$ 6,234
2004	4,953
2005	2,724
2006	940
2007	570
2008 and thereafter............	40
Total.......................	$ 15,461

13. Contingencies and litigation settlement

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

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

The complaint in the case alleges that MGIC violated the Real Estate Settlement Procedures Act by providing agency pool insurance, captive mortgage reinsurance, contract underwriting and other products that were not properly priced, in return for the referral of mortgage insurance. The complaint seeks damages of three times the amount of the mortgage insurance premiums that have been paid and that will be paid at the time of judgment for the mortgage insurance found to be involved in a violation of the Real Estate Settlement Procedures Act. The complaint also seeks injunctive relief, including prohibiting MGIC from receiving future premium payments. If the settlement is not fully implemented, the litigation will continue. In these circumstances, there can be no assurance that the ultimate outcome of the litigation will not materially affect the Company's financial position or results of operations.

Report of Independent Accountants

To the Board of Directors & Shareholders of
MGIC Investment Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of MGIC Investment Corporation and Subsidiaries (the "Company") at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Milwaukee, Wisconsin January 8, 2003

Unaudited quarterly financial data

2002	Quarter First	Second	Third	Fourth	2002 Year
	(In thousands of dollars, except per share data)				
Net premiums written	$ 283,097	$ 286,615	$ 301,361	$ 306,882	$ 1,177,955
Net premiums earned	284,449	288,169	298,953	310,527	1,182,098
Investment income, net of expenses	51,950	51,654	51,036	52,876	207,516
Losses incurred, net	59,714	64,416	101,094	140,528	365,752
Underwriting and other expenses, net	64,468	63,049	64,646	73,470	265,633
Net income	169,187	170,936	151,570	137,498	629,191
Earnings per share (a):					
Basic	1.59	1.63	1.47	1.37	6.07
Diluted	1.58	1.61	1.47	1.37	6.04

2001	Quarter First	Second	Third	Fourth	2001 Year
	(In thousands of dollars, except per share data)				
Net premiums written	$ 229,588	$ 256,903	$ 271,006	$ 278,856	$ 1,036,353
Net premiums earned	241,182	257,372	264,780	278,933	1,042,267
Investment income, net of expenses	50,045	51,566	51,021	51,761	204,393
Losses incurred, net	29,377	36,304	43,468	51,665	160,814
Underwriting and other expenses, net	51,654	58,524	58,317	65,999	234,494
Net income	157,924	161,218	158,992	161,003	639,137
Earnings per share (a):					
Basic	1.48	1.51	1.48	1.51	5.98
Diluted	1.46	1.49	1.47	1.50	5.93

(a) Due to the use of weighted average shares outstanding when calculating earnings per share, the sum of the quarterly per share data may not equal the per share data for the year.

Shareholder Information

The Annual Meeting

The Annual Meeting of Shareholders of MGIC Investment Corporation will convene at 9 a.m. Central Time on May 8, 2003 at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin.

10-K Report

Copies of the Annual Report on Form 10-K, filed with the Securities and Exchange Commission, will be available without charge after March 31, 2003, to shareholders on request from:

Secretary
MGIC Investment Corporation
P. O. Box 488
Milwaukee, WI 53201

Transfer Agent and Registrar

Wells Fargo Bank Minnesota, N.A.
Shareowner Services
P. O. Box 64854 St. Paul, Minnesota 55164
(800) 468-9716

Corporate Headquarters

MGIC Plaza
250 East Kilbourn Avenue
Milwaukee, Wisconsin 53202

Mailing Address
P. O. Box 488
Milwaukee, Wisconsin 53201

Shareholder Services
(414) 347-6596

MGIC Stock

MGIC Investment Corporation Common Stock is listed on the New York Stock Exchange under the symbol MTG. At December 31, 2002, 100,251,444 shares were outstanding. The following table sets forth for 2001 and 2002 by quarter the high and low sales prices of the Common Stock on the New York Stock Exchange Composite Tape.

	2001		2002	
Quarters	High	Low	High	Low
1st	$ 69.36	$ 51.00	$ 71.85	$ 59.03
2nd	77.31	61.00	74.40	65.40
3rd	76.50	54.00	68.95	38.60
4th	66.20	50.56	48.52	33.60

In 2001 and 2002 the Company declared and paid the following cash dividends:

	2001	2002
Quarters		
1st	$ .025	$ .025
2nd	.025	.025
3rd	.025	.025
4th	.025	.025
	$ .100	$ .100

The Company is a holding company and the payment of dividends from its insurance subsidiaries is restricted by insurance regulation. For a discussion of these restrictions, see the sixth paragraph under "Management's Discussion and Analysis -- Liquidity and Capital Resources" and Note 11 of the Notes to the Consolidated Financial Statements.

As of March 12, 2003, the number of shareholders of record was 207. In addition, there were approximately 139,000 beneficial owners of shares held by brokers and fiduciaries.

EXHIBIT 21

MGIC INVESTMENT CORPORATION

DIRECT AND INDIRECT SUBSIDIARIES AND JOINT VENTURES
OF MGIC INVESTMENT CORPORATION(1)

1. MGIC Assurance Corporation
2. MGIC Credit Assurance Corporation
3. MGIC Indemnity Corporation
4. MGIC Insurance Services Corporation
5. MGIC Investor Services Corporation
6. MGIC Mortgage Insurance Corporation
7. MGIC Mortgage Marketing Corporation
8. MGIC Mortgage and Consumer Asset I LLC
9. MGIC Mortgage and Consumer Asset II LLC
10. MGIC Mortgage Reinsurance Corporation
11. MGIC Mortgage Securities Corporation
12. MGIC Reinsurance Corporation
13. MGIC Reinsurance Corporation of Vermont
14. MGIC Reinsurance Corporation of Wisconsin
15. MGIC Residential Reinsurance Corporation
16. Mortgage Guaranty Insurance Corporation
17. eMagic.com LLC
18. Credit-Based Asset Servicing and Securitization LLC(2)
19. Sherman Financial Group LLC(2)

The names of certain persons that would not in the aggregate be a significant subsidiary are omitted.

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(1) Except as otherwise noted in Footnote 2, all companies listed are 100% directly or indirectly owned by the registrant and all are incorporated in Wisconsin.
(2) Less than 50% owned and organized under Delaware law.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements listed below of MGIC Investment Corporation of our report dated January 8, 2003 relating to the consolidated financial statements, which appears in the 2002 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 8, 2003 relating to the financial statement schedules, which appears in this Form 10-K.

1. Registration Statement on Form S-8 (Registration No. 33-79338)

2. Registration Statement on Form S-8 (Registration No. 33-79340)

3. Registration Statement on Form S-8 (Registration No. 33-92128)

4. Registration Statement on Form S-8 (Registration No. 333-56350)

5. Registration Statement on Form S-8 (Registration No. 333-56346)

6. Registration Statement on Form S-8 (Registration No. 333-101621)

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

Milwaukee, Wisconsin
March 28, 2003

Exhibit 99.1

CERTIFICATION OF PERIODIC REPORT

I, Curt S. Culver, Chief Executive Officer of MGIC Investment Corporation (the "Company"), certify, pursuant to Sections of the Surbanes-Oxley Act of 2002, 18 U.S. C. Section 1350 (the "Act"), that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

To the extent the Act permits the foregoing certification to be made to a standard that depends on my knowledge, such certification is made only to that standard.

Date: March 26, 2003

\s\ Curt S. Culver

Curt S. Culver
Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to MGIC Investment Corporation and will be retained by MGIC Investment Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.2

CERTIFICATION OF PERIODIC REPORT

I, J. Michael Lauer, Chief Financial Officer of MGIC Investment Corporation (the "Company"), certify, pursuant to Section 906 of the Surbanes-Oxley Act of 2002, 18 U.S. C. Section 1350 (the "Act"), that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

To the extent the Act permits the foregoing certification to be made to a standard that depends on my knowledge, such certification is made only to that standard.

Date: March 26, 2003

\s\ J. Michael Lauer

J. Michael Lauer
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to MGIC Investment Corporation and will be retained by MGIC Investment Corporation and furnished to the Securities and Exchange Commission or its staff upon request.