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, 1997

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

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

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of January 31, 1998: $6.2 billion.*

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of January 31, 1998: 113,867,817.

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 1997 Annual Report to Shareholders (for Fiscal Year Ended December 31, 1997)	Items 1 and 3 of Part I Items 5 through 8 of Part II
2. Proxy Statement for the 1998 Annual Meeting of Shareholders	Items 10 through 13 of Part III

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

Part I

Item 1. Business.

A. General

MGIC Investment Corporation (the "Company") is a holding company which, through its indirect wholly owned subsidiary, Mortgage Guaranty Insurance Corporation ("MGIC"), is the leading provider of private mortgage insurance coverage in the United States to mortgage bankers, savings institutions, commercial banks, mortgage brokers, credit unions and other lenders. Private mortgage insurance covers residential first mortgage loans and expands home ownership opportunities by enabling people to purchase homes with less than 20% down payments. If the home owner defaults, private mortgage insurance reduces and, in some instances, eliminates the loss to the insured institution. Private mortgage insurance also facilitates the sale of low down payment mortgage loans in the secondary mortgage market, principally to the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae"). In addition to mortgage insurance, the Company, through other subsidiaries, provides various underwriting and contract services 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 following is a "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995, which applies to all statements in this Form 10-K, including its Exhibits, which are not historical facts and to all oral statements that the Company may make from time to time which are not historical facts (such written and oral statements are herein referred to as "forward looking statements"):

> Actual results may differ materially from those contemplated by the forward looking statements. These forward looking statements involve risks and uncertainties, including but not limited to, the following risks:

- that demand for housing generally or in MGIC's market segment may be adversely affected by changes in interest rates, adverse economic conditions, or other reasons;

- that government housing policy may change, including changes in Federal Housing Administration ("FHA") loan limits, and changes in the statutory charters and coverage requirements of Freddie Mac and Fannie Mae;

- that MGIC's market share of new insurance written or the amount of new insurance written may be adversely affected as a result of factors affecting housing demand, government housing policy and Freddie Mac and Fannie Mae discussed above; or as a result of underwriting changes by the Company; actions taken by the Company's competitors, including their underwriting criteria, pricing or products offered; decisions by lenders to originate low down payment loans using substitutes for mortgage insurance , including self-insurance, or to the extent legally permissible, to provide insurance themselves; or for other reasons;

- that cancellations may increase and persistency may decrease due to refinancings, changes in Freddie Mac or Fannie Mae cancellation policies or legislation regarding mortgage insurance cancellation, or due to other factors; and

- that delinquencies, incurred losses or paid losses may increase as a result of adverse changes in regional or national economies which affect borrowers' incomes or housing values.

The foregoing "Safe Harbor" Statement also identifies certain material risks of the Company's business. Investors are also directed to other risks discussed in documents filed by the Company with the Securities and Exchange Commission.

B. The MGIC Book

Types of Product

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

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

The following table shows direct primary insurance in force and net primary risk in force (the risk, determined by the coverage percentage, which is retained after giving effect to reinsurance) for insurance that has been written by MGIC (the "MGIC Book") as of the dates indicated:

Primary Insurance and Risk In Force

	December 31, 1997	1996	1995	1994	1993
	(In millions of dollars)				
Direct Primary Insurance In Force .	$138,497	$131,397	$120,341	$104,416	$85,848
Net Primary Risk In Force	31,580	28,565	24,593	19,664*	13,971

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* Reflects the reassumption in 1994 of mortgage insurance previously reinsured. See "Reinsurance" below.

The coverage percentage provided by MGIC is determined by the lender, usually in order to comply with Freddie Mac and Fannie Mae requirements to reduce loss exposure on loans purchased by them to a designated percentage of the home's value. Until 1995, Freddie Mac and Fannie Mae had generally required that loss exposure be reduced to 75% of the home's value. Effective in the first quarter of 1995, Freddie Mac and Fannie Mae changed their coverage requirements for most new loans as follows:

Freddie Mac and Fannie Mae Coverages

Thirty Year and Certain Other Mortgage Loans			Fixed Rate, Fully Amortizing Mortgage Loans with Term of 20 years or less		
Loan-to-Value Ratio:	New Coverage	Previous Coverage	Loan-to-Value Ratio:	New Coverage	Previous Coverage
90.01 - 95.00% (up to 97% for Fannie Mae)	30%	25%*	90.01 - 95.00%	25%	25%*
85.01 - 90.00%	25%	17%	85.01 - 90.00%	12%	17%
80.01 - 85.00%	12%	12%	80.01 - 85.00%	6%	12%

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* Prior to 1995, Freddie Mac and Fannie Mae had increased coverage from 22% to 25%.

As a result of these deeper coverage requirements, coverage percentages on new insurance written in 1995-1997 were higher than coverages on loans insured in 1994 and prior years. The following table shows, by loan-to-value ("LTV") and coverage categories, new insurance written during the periods indicated:

Coverage Categories as a Percentage of New Insurance Written

LTV and Coverage	Year Ended December 31, 1997	1996	1995	1994
95% LTV/ 30% Coverage	38.7%	38.4%	34.1%	1.5%
90% LTV/ 25% Coverage	39.1%	38.9%	33.0%	3.5%

MGIC charges higher premium rates for higher coverages, and the deeper Freddie Mac and Fannie Mae coverage requirements have resulted in higher premiums charged on similar types of loans with the same characteristics (such as LTV and loan type) affecting the premium rate. While MGIC believes these deeper coverage requirements have had no significant impact on underwriting expenses or frequency of default, they have resulted in an increase in MGIC's average claim amount on books of business written in 1995 and thereafter. Because reserves for losses are only established by MGIC for loans in default and relatively few defaults occur in the early years of a book of business, MGIC receives increased premium from deeper coverage before any higher losses may be incurred resulting from that deeper coverage. MGIC uses a pricing methodology for these coverages similar to other types of coverage. However, there can be no assurance that the higher premium rates adequately reflect the risks associated with increased coverages. In addition, such higher premium rates may make government insurance programs, particularly programs of the FHA, more competitive. See "Sales and Marketing and Competition, Competition" and "Regulation,Indirect Regulation" below. There can be no assurance that the deeper coverage requirements of Freddie Mac and Fannie Mae will remain in effect.

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 and in certain circumstances when such principal balance is 80% or less of the home's original value.

Some states require that mortgage servicers periodically notify borrowers of the circumstances in which they may request a mortgage servicer to cancel insurance and some states allow the borrower to require the mortgage servicer to cancel insurance under certain circumstances or require the mortgage servicer to cancel insurance automatically in certain circumstance. Bills have been introduced and are pending in a number of other states for such purposes. In 1997, the United States Senate and the House of Representatives both passed differing bills that would have required private mortgage insurance to be cancelled in certain circumstances and that would have required mortgage servicers to provide certain notices to borrowers regarding cancellation of mortgage insurance. Neither of these bills became law. The Company cannot predict whether federal law governing private mortgage insurance cancellation will be enacted.

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 12.2% in 1997, as compared to 13.7% in 1996. Refinance loans represented 13.8%, 9.7%, 9.9% and 15.7% of primary risk written during the successive quarters of 1997.

In addition to varying with the coverage percentage, MGIC's premium rates vary depending upon the perceived risk of a claim on the insured loan and, thus, take into account the LTV, the loan type (fixed payment versus non-fixed payment)and mortgage term. 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.

Mortgage lenders usually require mortgage borrowers to fund the mortgage insurance premiums, which the lenders pay to the mortgage insurer. MGIC has three basic types of premium payment plans: monthly, annual and single premium plans. During 1997 and 1996, these premium plans represented the following dollar amounts and percentages of new insurance written:

Premium Plans as Percentages of
New Insurance Written

	1997		1996	
	(In millions of dollars)			
Monthly premium plan	$29,914	92.8%	$29,138	88.9%
Annual premium plan	1,951	6.0	3,333	10.2
Single premium plan	385	1.2	285	0.9
Total	$32,250	100.0%	$32,756	100.0%

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. To offset the reduced initial cash flow, the annualized premium rates for the monthly premium plan are higher than the premium rates for the annual plan for comparable loans.

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, which can be either non-refundable or refundable if the coverage is cancelled by the insured lender.

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 the twelve months ended December 31, 1997 was $394 million, which was virtually all agency pool insurance, with the remaining risk written associated with loans insured under state housing finance programs. Net MGIC Book pool risk in force at December 31, 1997 was $530 million compared to $181 million at December 31, 1996. In October 1997, the California Commissioner of Insurance was asked by a California legislator to review the legality of arrangements involving agency pool insurance. In a letter received by MGIC in January 1998, the U.S. Department of Housing and Urban Development ("HUD") wrote to MGIC seeking an analysis of MGIC's agency pool insurance transactions under the Real Estate Settlement Procedures Act of 1974 ("RESPA") which, in general, prohibits any person from giving or receiving any "thing of value" pursuant to an agreement or understanding to refer real estate settlement services, which include mortgage insurance. In February 1998, MGIC provided HUD with MGIC's analysis, which set forth MGIC's opinion that MGIC's agency pool transactions comply with RESPA. There can be no assurance that HUD will agree with MGIC's analysis. The Company understands that in March 1998, HUD wrote to the other private mortgage insurers and offered them an opportunity to submit their views in writing on agency pool insurance under RESPA.

Customers

Originators of residential mortgage loans such as mortgage bankers, savings institutions, commercial banks, mortgage brokers, credit unions and other lenders (e.g., financial, insurance and service companies) are the customers of MGIC. To obtain primary insurance from MGIC, a mortgage lender must first apply for and receive a mortgage guaranty master policy ("Master Policy") from MGIC. MGIC had approximately 10,200 master policyholders at December 31, 1997 (not including policies issued to branches and affiliates of large lenders). In 1997, MGIC issued coverage on mortgage loans for approximately 4,400 of its master policyholders. MGIC's top 10 customers generated 27.0% of its new insurance written in 1997, compared to 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, 1997, MGIC had 30 underwriting service centers located in 21 states and in Puerto Rico.

Competition. MGIC and other private mortgage insurers compete directly with federal and state governmental and quasi-governmental agencies, principally the FHA and, to a lesser degree, the Veterans Administration ("VA"). These agencies sponsor government-backed mortgage insurance programs, which during 1997 accounted for approximately 46% (compared to approximately 45% during 1996) of the total low down payment residential mortgages which were subject to governmental or private mortgage insurance. See "Regulation - Indirect Regulation" below.

In addition to competition from federal agencies, 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.

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

The private mortgage insurance industry consists of nine active mortgage insurers (including a joint venture in which a mortgage insurer is one of the joint venturers). During 1997 and 1996, MGIC was the largest private mortgage insurer based on new primary insurance written and at December 31, 1997, MGIC also had the largest book of direct primary insurance in force.

The private mortgage insurance industry is highly competitive. The Company believes MGIC competes with other private mortgage insurers principally on the basis of the strength of its management team and field organization; its ability to meet lender needs by providing underwriting risk management, affordable housing, loss mitigation, capital markets and training support; effective use of technology and innovation in the delivery and servicing of MGIC's insurance products; and structured programs involving agency pool insurance, captive reinsurance and other programs in which insurance is offered on special terms for certain loans or groups of loans. The Company believes MGIC's additional competitive strengths, compared to other private insurers, are its customer relationships, name recognition and reputation.

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

Two other mortgage insurers, General Electric Mortgage Insurance Corporation and United Guaranty Residential Insurance Company, an affiliate of American International Group, Inc., have higher claims-paying ability ratings than MGIC, principally based on having definitive capital support agreements from affiliated companies.

Risk Management

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

- Individual Loan and Borrower. Except to the extent its delegated underwriting program is being utilized as described below, MGIC evaluates insurance applications based on its analysis of the borrower's ability to repay the mortgage loan and the characteristics and value of the property. The analysis of the borrower includes reviewing the borrower's housing and total debt ratios as well as the borrower's FICO credit score, as reported by credit reporting agencies. In the case of delegated underwriting, compliance with program parameters is monitored by periodic audits of delegated business.

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

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

Based on historical performance, the Company believes that the claim incidence for loans with LTVs in excess of 90% but not more than 95% ("95% LTV loans") is substantially higher than for loans with LTV ratios of 90% or less; 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 $200,000 is higher than for loans where such amount is $200,000 or less; and for loans with FICO credit scores below 620 is higher than for loans with FICO credit scores of 620 and above. While there is no meaningful data on claim incidence for loans with LTVs in excess of 95% ("97% LTV loans") because this product has only been recently offered by the industry, the Company anticipates that claim incidence on 97% LTV loans will be higher than on 95% LTV loans. MGIC charges higher premium rates for insuring 95% and 97% LTV loans and ARMs. However, there can be no assurance that such higher rates adequately reflect the increased risk associated with those types of loans, particularly in a period of economic recession.

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

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

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

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

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

At December 31, 1997, MGIC's delegated underwriting program involved 664 lenders, including all of MGIC's top twenty customers. Loans insured under MGIC's delegated underwriting program accounted for approximately 32.5% of MGIC's total risk in force at December 31, 1997. The percentage of new risk written by delegated underwriters decreased to 36.8% in 1997 from 41.0% in 1996 and 38.2% in 1995. The Company believes that the decrease in 1997 is attributable to MGIC's introduction in mid-1996 of a program under which MGIC approves a loan for insurance if the borrower satisfies certain minimum criteria for credit scores and debt ratios. The performance of loans insured under the delegated underwriting program has been comparable to MGIC's non-delegated business, although performance of that program has not yet been tested in a period of severe economic stress.

Affordable Housing. In recent years, MGIC has made a continued commitment to insure residential mortgages secured by properties owned and occupied by low- and moderate-income first time homebuyer borrowers, or by first time homebuyer borrowers who reside in areas targeted for community reinvestment or redevelopment ("affordable housing" loans). The percentage of affordable housing loans under this definition was 16.6% of new risk written in 1997, as compared to 17.9% in 1996. The Company believes that affordable housing loans have higher risks than its other insured business. Therefore, MGIC has instituted various programs seeking to mitigate the higher risk characteristics of such loans. However, while early in the life of such loans, on the basis of the limited information available, the Company believes that the default rate and claims rate on such loans will be higher than the average default rate on the MGIC Book.

Reinsurance

General. In each year from 1985 through 1993, MGIC had ceded certain percentages of its new insurance written under quota share reinsurance agreements with several international reinsurers. Effective January 1, 1994, MGIC reassumed from its principal reinsurer MGIC's mortgage insurance written in 1985 through 1993 that had been ceded to this reinsurer and discontinued quota share reinsurance for new insurance written. At December 31, 1997, approximately 2% of MGIC's insurance in force was reinsured. Reinsuring against possible loan losses does not discharge MGIC from liability to a policyholder; however, the reinsurer agrees to indemnify MGIC for the reinsurer's share of losses incurred.

Captive Mortgage Reinsurance. MGIC's products include captive mortgage reinsurance in which an affiliate of a lender reinsures a portion of the risk on loans originated or purchased by the lender which have MGIC primary insurance. The amount of premium and risk ceded to captive reinsurers by MGIC in 1997 was not material but is expected to increase in 1998 as additional captive reinsurance arrangements are implemented. In an August 1997 letter, HUD set forth tests to determine whether, in HUD's view, captive mortgage reinsurance programs comply with RESPA. While the Company believes MGIC's captive mortgage reinsurance program meets HUD's tests, certain of the tests involve complex judgments regarding premium and risk ceded. There can be no assurance that MGIC's captive program complies with RESPA.

Past Industry Losses; Defaults; and Claims

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

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

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

Default Statistics for the MGIC Book

	December 31, 1997	1996	1995	1994	1993
PRIMARY INSURANCE					
Insured loans in force	1,342,976	1,299,038	1,219,304	1,080,882	921,259
Loans in default	28,493	25,034	19,980	15,439	13,658
Percentage of loans in default (default rate)	2.12%	1.93%	1.64%	1.43%	1.48%
POOL INSURANCE					
Insured loans in force	374,378	19,123	20,427	23,242	30,890
Loans in default	2,174	855	1,053	1,097	1,419
Percentage of loans in default (default rate)	0.58%	4.47%	5.15%	4.72%	4.59%

The default rate for primary loans has increased since 1994 due to an increase in the risk profile of loans insured in late 1994 and the first half of 1995 and the continued maturation of MGIC's insurance in force. The number of pool insurance loans in force increased at December 31, 1997 as a result of agency pool insurance writings, and the number of pool insurance loans in default at that date increased due to the increase in pool insurance in force. The percentage of pool insurance loans in default decreased at December 31, 1997 as a result of the increase in pool insurance in force.

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 1997	Dec. 31, 1996	Dec. 31, 1995
MGIC REGION:			
New England	1.89%	2.09%	2.17%
Northeast	3.03	2.74	2.49
Mid-Atlantic	2.23	1.96	1.64
Southeast	2.13	1.83	1.46
Great Lakes	1.75	1.57	1.21
North Central	1.72	1.49	1.21
South Central	1.86	1.56	1.27
Plains	1.27	0.97	0.75
Pacific	2.69	2.70	2.43
National	2.12%	1.93%	1.64%

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

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

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

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

Claim activity is not evenly spread throughout the coverage period of a book of primary business. Relatively few claims are received during the first two years following issuance of coverage on a loan. This is followed by a period of rising claims which, based on industry experience, has historically reached its highest level in the third through fifth years after the year of loan origination. Thereafter, the number of claims received has historically declined at a gradual rate, although the rate of decline can be affected by conditions in the economy, including lower housing price appreciation. There can be no assurance that this historical pattern of claims will continue in the future. Moreover, when a loan is refinanced, because the new loan replaces, and is a continuation of, an earlier loan, the pattern of claims frequency for that new loan may be different from the historical pattern of other loans. As of December 31, 1997, 56.5% of the MGIC Book primary insurance in force had been written during 1995, 1996, and 1997, 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 $21,669 for 1997 as compared to $21,817 in 1996. Although prior to 1995 the coverage percentage remained relatively constant on the MGIC Book, the Company anticipates that MGIC Book claim severity will likely increase over the long term due to the higher coverage percentages generally written beginning in 1995 as required by Fannie Mae and Freddie Mac.

Loss Reserves

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

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

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

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

Geographic Dispersion

The following table reflects the percentage of primary risk in force in the top 10 states and top 10 metropolitan statistical areas ("MSAs") for the MGIC Book at December 31, 1997:

Dispersion of Primary Risk in Force

Top 10 States			Top 10 MSAs		
1.	California	13.1%	1.	Chicago	4.3%
2.	Texas	6.7	2.	Boston	3.6
3.	Illinois	5.7	3.	Los Angeles	3.4
4.	Michigan	5.5	4.	Washington, DC	3.1
5.	New York	4.5	5.	Atlanta	2.4
6.	Ohio	4.4	6.	Detroit	2.2
7.	Florida	4.3	7.	Philadelphia	2.1
8.	Pennsylvania	4.0	8.	Dallas	1.8
9.	Massachusetts	3.7	9.	Orange County	1.7

10. New Jersey	3.5	10. Seattle	1.6
Total	55.4%	Total	26.2%

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, 1997, by year(s) of policy origination since MGIC began operations in 1985:

Primary Insurance In Force by Policy Year

Policy Year	Primary Insurance in Force (In millions of dollars)	Percent of Total
1985-1992	$ 21,111	15.3%
1993	20,030	14.5
1994	19,053	13.7
1995	21,800	15.7
1996	27,684	20.0
1997	28,819	20.8
Total	$138,497	100.0%

Product Characteristics of Risk in Force

At December 31, 1997 and 1996, 98.2% and 99.2%, 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, 1997	December 31, 1996
Direct Risk in Force (Dollars in Millions	$32,175	$29,308
Lender Concentration:		
Top 10 lenders	20.5%	17.9%
Top 20 lenders	31.0%	28.1%
LTV:(1)		
95s(2)	46.6%	43.5%
90s(3)	53.2	56.2
80s	0.2	0.3
Total	100.0%	100.0%
Loan Type:		
Fixed(4)	73.6%	71.5%
ARM(5)	23.4	25.0
Balloon(6)	2.9	3.4
Other	0.1	0.1
Total	100.0%	100.0%
Original Insured Loan Amount:		
$200,000 and less	87.0%	87.8%
Over $200,000	13.0	12.2
Total	100.0%	100.0%
Mortgage Term:		
15-years and under	4.4%	5.3%
Over 15 years	95.6	94.7
Total	100.0%	100.0%
Property Type:		
Single-family(7)	93.6%	93.4%
Condominium	6.0	6.1
Other(8)	0.4	0.5
Total	100.0%	100.0%
Occupancy Status:		
Primary residence	98.6%	99.0%
Second home	1.0	0.8
Non-owner occupied	0.4	0.2

Total	100.0%	100.0%

(1) Loan-to-value represents the ratio (expressed as a percentage) of the dollar amount of the mortgage loan to the value of the property at the time the loan became insured. They are identified as in excess of 90% LTV ("95s"); in excess of 80% LTV and up to 90% LTV ("90s"); and equal to or less than 80% LTV ("80s").
(2) Includes 97% LTV loans, which were 2.3% and 1.7%, respectively, of primary risk in force at December 31, 1997 and 1996.
(3) MGIC includes in its classification of 90s, loans where the borrower makes a down payment of 10% and finances the associated mortgage insurance premium payment as part of the mortgage loan. At December 31, 1997 and 1996, 3.2% and 3.7%, respectively, of the primary risk in force consisted of these types of loans.
(4) Includes fixed rate mortgages with temporary buydowns (where in effect, the applicable interest rate is typically reduced by one or two percentage points during the first two years of the loan).
(5) Includes ARMs where payments adjust fully with interest rate adjustments. Also includes ARMs with negative amortization, which at December 31, 1997 and 1996, represented 2.1% and 2.2%, respectively, of primary risk in force. As of December 31, 1997 and 1996, ARMs with LTVs in excess of 90% represented 9.5% and 9.2%, respectively, of primary risk in force.
(6) Balloon payment mortgages are loans with a maturity, typically five to seven years, that is shorter than the loans' amortization period.
(7) Includes townhouse-style attached housing with fee simple ownership.
(8) Includes cooperatives and manufactured homes deemed to be real estate.

C. The WMAC Book

In 1985, the Company acquired certain assets and businesses of Wisconsin Mortgage Assurance Corporation ("WMAC") and WMAC's parent, including the MGIC name and offices of WMAC, and hired substantially all of WMAC's employees ("Acquisition"). WMAC retained substantially all of its insurance in force, net of domestic reinsurance (the "WMAC Book" and sometimes in other documents referred to as the "Old Book"). Effective as of the time of the Acquisition, WMAC reinsured 100% of the WMAC Book with several international reinsurers. One of the reinsurers of the WMAC Book retroceded a 20% quota share of the WMAC Book to a subsidiary of the Company. In subsequent transactions, MGIC assumed a portion of the remaining 80% of such reinsurance. At December 31, 1997, MGIC reinsured approximately 66% of the WMAC Book and had approximately $1.1 billion of risk in force from the WMAC Book.

D. Other Business

The Company, through subsidiaries, provides various mortgage services for the mortgage finance industry, such as contract underwriting, premium reconciliation and claims administration for HUD and the Resolution Trust Corporation, respectively, and secondary marketing of mortgage-related assets. The Company also owns approximately 48% of Credit-Based Asset Servicing and Securitization LLC and affiliated entities (collectively, "C-BASS"). C-BASS, which began operations in mid-1996, is principally engaged in the acquisition, sale and servicing of delinquent and other residential mortgage assets. The revenues recognized from these mortgage services operations, other non-insurance services and C-BASS represented 3.8% and 3.0% of the Company's consolidated revenues in 1997 and 1996, respectively.

In 1997, the Company, through subsidiaries, began insuring second mortgages, including home equity loans. New insurance written on second mortgages in 1997 was immaterial.

E. Investment Portfolio

Policy and Strategy

Cash flow from the Company's investment portfolio represented approximately 34% of its total cash flow from operations during 1997. Approximately 90% 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, 1997, 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, 1997, based on amortized cost value, approximately 98.3% of the Company's total fixed income investment portfolio was invested in securities rated "A" or better, with 61.5% which were rated "AAA" and 25.4% 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, 1997, the consolidated book value (which is equal to market value) of the Company's investment portfolio was approximately $2.4 billion. At December 31, 1997, municipal securities represented 71.3% of the book value of the total investment portfolio. Securities due within one year, within one to five years, within five to ten years, and after ten years, represented 5.3%, 9.6%, 43.7% and 41.4%, respectively, of the total book value of the Company's investment in debt securities. The Company's net pre-tax investment income was $123.6 million for the year ended December 31, 1997, representing an after-tax yield of 5.0% for the year, a decline from 5.1% for 1996, resulting from a decline in the average interest rate on investments in 1997 as compared to 1996.

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

F. Regulation

Direct Regulation

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

In general, such regulation relates, among other things, to licenses to transact business; policy forms; premium rates; annual and other reports on financial condition; the basis upon which assets and liabilities must be stated; requirements regarding contingency reserves equal to 50% of premiums earned; minimum capital levels and adequacy ratios; reinsurance requirements; limitations on the types of investment instruments which may be held in an investment portfolio; the size of risks and limits on coverage of individual risks which may be insured; deposits of securities; limits on dividends payable; and claims handling. Most states also regulate transactions between insurance companies and their parents or affiliates. For a description of limits on dividends payable, see Note 10 to the consolidated financial statements of the Company, included in Exhibit 13 to this Annual Report on Form 10-K.

Mortgage insurance premium rates are also subject to state regulation to protect policyholders against the adverse effects of excessive, inadequate or unfairly discriminatory rates and to encourage competition in the insurance marketplace. Any increase in premium rates must be justified, generally on the basis of the insurer's loss experience, expenses and future trend analysis. The general mortgage default experience may also be considered. Premium rates are subject to review and challenge by state regulators. Legislatures and state insurance departments generally allow private mortgage insurers to insure residential loans with LTVs of up to 97%.

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

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

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

As the most significant purchasers and sellers of conventional mortgage loans and beneficiaries of private mortgage insurance, Freddie Mac and Fannie Mae impose requirements on private mortgage insurers in order for such insurers to be eligible to insure loans sold to such agencies. These requirements of Freddie Mac and Fannie Mae are subject to change from time to time. Currently, MGIC is an approved mortgage insurer for both Freddie Mac and Fannie Mae. In addition, to the extent Fannie Mae or Freddie Mac changes current guarantee fee arrangements, 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 such mortgages, private mortgage insurersmay 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.

Certain proposed legislation regarding cancellation of mortgage insurance is discussed at "The MGIC Book - Types of Product - Primary Insurance" above.

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 so as to change competition from government agencies, particularly FHA. The Clinton Administration has recently proposed to Congress that the FHA loan limits be increased to the Fannie Mae and Freddie Mac loan limits. In addition, various other proposals have been discussed from time to time by Congress and certain federal agencies to reform or modify the FHA.

Subject to certain exceptions, RESPA prohibits any person from giving or receiving any "thing of value" pursuant to an agreement or understanding to refer real estate settlement services, which include mortgage insurance. In recent years, RESPA has been a source of substantial uncertainty and litigation for the home mortgage lending and real estate settlement services industries.

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.

Since 1989, OTS has had in effect its risk-based capital rules for savings institutions which establish a lower capital requirement if a low down payment loan is insured with private mortgage insurance, as opposed to being self-insured. To the extent risk-based capital rules for savings institutions are changed in the future, or if, as has been proposed by some plans, the functions and authority of the OTS are transferred to, or consolidated with, other federal banking agencies, and such actions do not continue to provide for favorable capital treatment for privately insured mortgage loans, some or all of the benefits of OTS' risk-based capital rules to MGIC and the mortgage insurance industry may be curtailed or eliminated.

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

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

G. Employees

At December 31, 1997, the Company had 1,090 full- and part-time employees, of whom approximately two-thirds were assigned to its Milwaukee headquarters and the remainder were assigned to its field offices.

Item 2. Properties.

At December 31, 1997, the Company leased office space in various cities throughout the United States under leases expiring between 1998 and 2002 and which required annual rentals of $1.9 million in 1997.

The Company owns its headquarters facility and an additional office/warehouse facility, both located in Milwaukee, Wisconsin, which contain an aggregate of approximately 340,000 square feet of space.

The Company maintains two mainframe computers at its corporate data center located in its headquarters facility to support its data processing requirements. The Company has in place back up procedures in the event of emergency situations.

Item 3. Legal Proceedings.

Information concerning certain legal proceedings involving the Company and its subsidiaries is included in Note 12 to the consolidated financial statements, included in Exhibit 13 to this Annual Report on Form 10-K, which Note is incorporated herein by reference.

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, 1998 is set forth below:

Name and Age	Title
William H. Lacy, 53	President and Chief Executive Officer of the Company and Chairman of the Board and Chief Executive Officer of MGIC; Director of the Company and MGIC
Curt S. Culver, 45	President and Chief Operating Officer of MGIC and Executive Vice President of the Company
J. Michael Lauer, 53 . . .	Executive Vice President and Chief Financial Officer of the Company and MGIC
James S. MacLeod, 50 . . .	Executive Vice President,Field Operations of MGIC
Lawrence J. Pierzchalski, 45	Executive Vice President,Risk Management of MGIC
Gordon H. Steinbach, 52 . .	Executive Vice President,Credit Policy of MGIC
Jeffrey H. Lane, 48	Senior Vice President, General Counsel and Secretary of the Company and MGIC

Mr. Lacy has served as President and Chief Executive Officer of the Company since October 1987 and Chairman of the Board and Chief Executive Officer of MGIC since May 1996. He was Executive Vice President and Chief Operating Officer of the Company from March 1985 to October 1987. He was President and Chief Executive Officer of MGIC from March 1985 to May 1996.

Mr. Culver has served as President and Chief Operating Officer of MGIC and Executive Vice President of the Company since May 1996. Mr. Culver served as Executive Vice President+Marketing and Field Operations of MGIC from January 1995 to May 1996; was Executive Vice President+Marketing of MGIC from May 1993 to January 1995; was Executive Vice President-Corporate Development of MGIC from July 1992 to May 1993, and was Senior Vice President-Office of the President of MGIC from January 1991 to July 1992. He was Senior Vice President-Marketing of MGIC from April 1988 to January 1991 and held various management positions with MGIC in the areas of marketing and sales from March 1985 to April 1988.

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. He served as Senior Vice President-Field Operations of MGIC from May 1996 to January 1998 and was Senior Vice President-Sales of MGIC from January 1995 to May 1996. He served as Senior Vice President - Business Development Operations of MGIC from October 1994 to January 1995. Prior thereto he was Senior Vice President - Office of the President of MGIC from May 1993 to October 1994; was Senior Vice President - Marketing of MGIC from January 1991 to May 1993; was Senior Vice President - Division Manager of MGIC from July 1987 to January 1991 and had held various management positions with MGIC in the areas of underwriting and risk management from March 1985 to July 1987.

Mr. Pierzchalski has served as Executive Vice President-Risk Management of MGIC since May 1996. He served as Senior Vice President-Risk Management of MGIC from July 1992 to May 1996. He was Vice President-Risk Management from April 1990 to July 1992, and held various management positions with MGIC in the areas of market research, corporate planning and risk management from March 1985 to April 1990.

Mr. Steinbach has served as Executive Vice President-Credit Policy of MGIC since October 1996. He served as the Executive Vice President-Affordable Housing and Claims of MGIC from July 1992 to October 1996 and was Executive Vice President-Risk Management/Claims of MGIC from April 1991 to July 1992. He was Executive Vice President-Risk Management of MGIC from March 1988 to April 1991, Senior Vice President-Risk Management of MGIC from May 1986 to March 1988 and Senior Vice President-Underwriting from March 1985 to May 1986.

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.

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 second paragraph under the caption "Management's Discussion and Analysis - Financial Condition" 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, 1997, and the related consolidated balance sheet of the Company as of December 31, 1997 and 1996, together with the related notes thereto and the report of independent accountants, as well as the unaudited quarterly financial data, all set forth in Exhibit 13 to this Annual Report on Form 10-K, are hereby incorporated by reference in answer to this Item.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information on the Directors of the Registrant is included in the Company's Proxy Statement for the 1998 Annual Meeting of Shareholders, and is hereby incorporated by reference. The information on the Executive Officers of the Registrant appears at the end of Part I of this Form 10-K.

Item 11. Executive Compensation.

This information is included in the Company's Proxy Statement for the 1998 Annual Meeting of Shareholders (other than information covered by Instruction (9) to Item 402 (a) of Regulation S-K of the Securities and Exchange Commission), and is hereby incorporated by reference.

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

This information is included in the Company's Proxy Statement for the 1998 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 1998 Annual Meeting of Shareholders, and is hereby incorporated by reference.

PART IV

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

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

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

3. Exhibits - The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item and the Exhibits listed in such Index are filed as part of this Form 10-K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1997.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

[Item 14(a) 1 and 2]

Consolidated Financial Statements (all contained in Exhibit 12 to this Annual Report on Form 10-K)

Consolidated statement of operations for each of the three years in the period ended December 31, 1997

Consolidated balance sheet at December 31, 1997 and 1996

Consolidated statement of shareholders' equity for each of the three years in the period ended December 31, 1997

Consolidated statement of cash flows for each of the three years in the period ended December 31, 1997

Notes to consolidated financial statements

Report of independent accountants

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

Report of independent accountants on financial statement schedules

Schedules at and for the specified years in the three-year period ended December 31, 1997:

- Schedule I - Summary of investments , other than investments in related parties
- Schedule II- Condensed financial information of Registrant
- Schedule IV- Reinsurance

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 1998.

MGIC INVESTMENT CORPORATION

By /s/ William H. Lacy
William H. Lacy
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/ William H. Lacy
William H. Lacy
President, Chief Executive Officer and Director

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

/s/ Patrick Sinks
Patrick Sinks
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/ James D. Ericson
James D. Ericson, Director

/s/ Daniel Gross
Daniel Gross, Director

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

/s/ Peter J. Wallison
Peter J. Wallison, Director

/s/ Edward J. Zore
Edward J. Zore, Director

Report of Independent Accountants on Financial Statement Schedules

To the Board of Directors
of MGIC Investment Corporation

Our audits of the consolidated financial statements referred to in our report dated January 7, 1998 appearing on page 23 of the 1997 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) 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.

PRICE WATERHOUSE LLP

Milwaukee, Wisconsin
January 7, 1998

MGIC INVESTMENT CORPORATION

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

December 31, 1997

Type of Investment	Amortized Cost	Market Value	Amount at which shown in the balance sheet
	(In thousands of dollars)		
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 60,972	$ 64,543	$64,543
States, municipalities and political subdivisions	1,620,660	1,723,020	1,723,020
Foreign governments	14,086	15,002	15,002
Public utilities	46,488	48,550	48,550
All other corporate bonds	324,513	332,329	332,329
Redeemable preferred stocks	2,414	2,510	2,510
Total fixed maturities	2,069,133	2,185,954	2,185,954
Equity securities:			
Common stocks:			
Banks, trust and insurance companies	103,670	116,053	116,053
Total equity securities	103,670	116,053	116,053
Short-term investments	114,733	114,733	114,733
Total investments	$2,287,536	$2,416,740	$2,416,740

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEET
PARENT COMPANY ONLY
December 31, 1997 and 1996

	1997	1996
	(In thousands of dollars)	
ASSETS		
Investment portfolio, at market value:		
Fixed maturities	$ 11,487	$ 20,211
Short-term investments	5,411	4,683
Total investment portfolio	16,898	24,894
Cash	-	7
Investment in subsidiaries, at equity in net assets	1,693,879	1,341,206
Income taxes receivable - affiliates	18,912	12,088
Accrued investment income	224	260
Other assets	9	16
Total assets	$ 1,729,922	$ 1,378,471
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes payable	$ 237,500	$ -
Accounts payable - affiliates	3,057	12,356
Other liabilities	2,583	-
Total liabilities	243,140	12,356
Shareholders' equity (note B):		
Common stock, $1 par value, shares authorized 150,000,000; shares issued 121,110,800; outstanding 1997 - 113,791,593; 1996 - 117,900,868	121,111	121,111
Paid-in surplus	218,499	207,984
Treasury stock (shares at cost, 1997 - 7,319,207; 1996 - 3,209,932)	(252,942)	(7,073)
Unrealized appreciation in investment portfolio of subsidiaries, net of tax	83,985	40,685
Retained earnings	1,316,129	1,003,408
Total shareholders' equity	1,486,782	1,366,115
Total liabilities and shareholders' equity	$ 1,729,922	$ 1,378,471

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, 1997, 1996 and 1995

	1997	1996	1995
		(In thousands of dollars)	
Revenue:			
Equity in undistributed net income of subsidiaries	$ 304,434	$ 240,631	$ 186,184
Dividends received from subsidiaries	22,143	16,349	20,521
Investment income, net	1,576	1,256	902
Realized investment gains (losses), net	233	(32)	42
Other income	-	3	-
Total revenue	328,386	258,207	207,649
Expenses:			
Operating expenses	374	216	84
Interest expense	6,080	-	-
Total expenses	6,454	216	84
Income before tax	321,932	257,991	207,565
Credit for income tax	(1,818)	-	-
Net income	$ 323,750	$ 257,991	$ 207,565

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, 1997, 1996 and 1995

	1997	1996	1995
		(In thousands of dollars)	
Cash flows from operating activities:			
Net income	$ 323,750	$ 257,991	$ 207,565
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(304,434)	(240,631)	(186,184)
Increase in income taxes receivable	(6,824)	(6,443)	(1,969)
Decrease in accrued investment income	36	18	31
(Decrease) increase in accounts payable - affiliates	(9,299)	1,413	1,704
Increase (decrease) in other liabilities	2,583	-	(226)
Other	(81)	(1)	(233)
Net cash provided by operating activities	5,731	12,347	20,688
Cash flows from investing activities:			
Increase in investment in subsidiaries	(5,000)	(10,000)	(15,000)
Purchase of fixed maturities	(8,650)	(7,232)	(11,034)
Sale of fixed maturities	17,523	4,632	9,205
Sale of equity securities	-	30	-
Net cash (used in) provided by investing activities	3,873	(12,570)	(16,829)
Cash flows from financing activities:			
Dividends paid to shareholders	(11,029)	(9,425)	(9,371)
Repurchase of outstanding common shares	(248,426)	-	-
Increase in note payable	237,500	-	-
Reissuance of treasury stock	13,072	10,209	6,079
Net cash provided by (used in) financing activities	(8,883)	784	(3,292)
Net increase in cash and short-term investments	721	561	567
Cash and short-term investments at beginning of year	4,690	4,129	3,562
Cash and short-term investments at end of year	$ 5,411	$ 4,690	$ 4,129

See accompanying notes to Parent Company condensed financial statements.

MGIC INVESTMENT CORPORATION

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PARENT COMPANY ONLY

SUPPLEMENTARY NOTES

Note A

The accompanying Parent Company financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements appearing on pages 10 through 23 of the MGIC Investment Corporation 1997 Annual Report to Shareholders.

Note B

The Company's insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. In 1998, the Company's principal insurance subsidiary, Mortgage Guaranty Insurance Corporation can pay $33.3 million of dividends and the other insurance subsidiaries of the Company can pay $2.5 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 1998, the Company can pay dividends of $25.9 million from the Parent Company's funds and funds available from the non-insurance subsidiaries. In 1997, 1996 and 1995, the Company paid dividends of $11.0 million, $9.4 million and $9.4 million, respectively or $.095 per share in 1997 and $.08 per share in 1996 and 1995.

MGIC INVESTMENT CORPORATION

SCHEDULE IV - REINSURANCE

MORTGAGE INSURANCE PREMIUMS EARNED
Years Ended December 31, 1997, 1996 and 1995

	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
			(In thousands of dollars)		
Year ended December 31,					
1997	$ 712,069	$ 15,990	$ 12,665	$ 708,744	1.8%
1996	$ 623,148	$ 19,350	$ 13,245	$ 617,043	2.1%
1995	$ 522,069	$ 23,760	$ 8,191	$ 506,500	1.6%

INDEX TO EXHIBITS

[Item 14(a)3]

Exhibit Numbers	Description of Exhibits
3.1	Articles of Incorporation, as amended, including Articles of Amendment effective May 23, 1994.(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)
	[The Company is a party to a Credit Agreement with a group of financial institutions which is not being filed pursuant to Reg. S-K Item 602(b) (4) (iii) (A). The Company hereby agrees to furnish a copy of such Credit Agreement to the Commission upon its request.]
10.1	Common Stock Purchase Agreement between the Company and The Northwestern Mutual Life Insurance Company ("NML"), dated November 30, 1984(3)
10.2	Tax Agreement between NML, the Company and certain subsidiaries of the Company, dated January 1, 1986, including amendment thereto dated as of August 2, 1991(4)
10.3	Tax Sharing Agreement between the Company, MGIC and certain subsidiaries of MGIC, dated January 22, 1986(5)
10.4	Amendment to Tax Agreement, dated as of August 14, 1991, by and between NML, the Company, and its subsidiaries(6)
10.5	Amended and Restated Investment Advisory and Servicing Agreement between the Company and Northwestern Mutual Investment Services, Inc., dated December 5, 1997.
10.6	MGIC Investment Corporation Amended and Restated 1989 Stock Option Plan (including forms of option agreement).(7)
10.7	MGIC Investment Corporation 1991 Stock Incentive Plan.
10.8	Form of Stock Option Agreement under 1991 Stock Option Plan (now known as the 1991 Stock Incentive Plan).(8)
10.9	Form of Stock Option Agreement under 1991 Stock Incentive Plan (1997 Form 1).
10.10	Form of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.
10.11	Executive Bonus Plan
10.12	Supplemental Executive Retirement Plan.(9)
10.13	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.(10)
10.14	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(11)
10.15	Two forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.(12)
10.16	Form of MGIC Mortgage Guaranty Master Policy, in effect generally for insurance commitments issued beginning March 1, 1995, including the Master Policy Program Endorsement relating to delegated underwriting.(13)
11	Statement re: computation of per share earnings
13	Information from the 1997 Annual Report of the Company to Shareholders which is incorporated by reference in this Annual Report on Form 10-K.
21	List of Subsidiaries
23	Consent of Price Waterhouse LLP

27	Financial Data Schedule

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

10.6	MGIC Investment Corporation Amended and Restated 1989 Stock Option Plan (including forms of option agreement).
10.7	MGIC Investment Corporation 1991 Stock Incentive Plan.
10.8	Form of Stock Option Agreement under 1991 Stock Option Plan (now known as the 1991 Stock Incentive Plan).
10.9	Form of Stock Option Agreement under 1991 Stock Incentive Plan (1997 Form 1).
10.10	Form of Restricted Stock Award Agreement under 1991 Stock Incentive Plan.
10.11	Executive Bonus Plan
10.12	Supplemental Executive Retirement Plan.
10.13	MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors.
10.14	MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.
10.15	Two forms of Award Agreement under MGIC Investment Corporation 1993 Restricted Stock Plan for Non-Employee Directors.

The following documents, identified in the footnote references above, are incorporated by reference, as indicated, to: the Company's Form S-1 Registration Statement (No. 33-41289), which became effective in August 1991 (the "1991 S-1"); the Company's Annual Reports on Form 10-K for the years ended December 31, 1991, 1992, 1993, 1994 or 1996 (the "1991 10-K," "1992 10-K," "1993 10-K," "1994 10-K," and "1996 10-K," respectively; or to the Quarterly Report on Form 10-Q for the Quarter ended June 30, 1994 (the "10-Q as of June 30, 1994"). The documents are further identified by cross-reference to the Exhibits in the respective documents where they were originally filed:

(1) Exhibit 3.3 to the 10-Q as of June 30, 1994.

(2) Exhibit 3.2 to the 1991 S-1 and the amendment thereto is Exhibit 3.3 to the 1992 10-K.

(3) Exhibit 10.1 to the 1991 S-1.

(4) The Tax Agreement is Exhibit 10.8 to the 1991 S-1 and the amendment thereto is Exhibit 10.21 to the 1991 S-1.

(5) Exhibit 10.9 to the 1991 S-1.

(6) Exhibit 10.10 to the 1991 10-K.

(7) Exhibit 10.16 to the 1991 S-1.

(8) Exhibit 10.19 to the 1991 10-K.

(9) Exhibit 10.16 to the 1996 10-K

(10) Exhibit 10.23 to the 1993 10-K.

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

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

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

Exhibit 10.5

December 5, 1997

Northwestern Mutual Investment
Services, Inc.
720 East Wisconsin Avenue
Milwaukee, WI 53202

RE: INVESTMENT ADVISORY AND SERVICING AGREEMENT

Gentlemen:

The undersigned (each signatory to be referred to herein as "Client" for its respective account) employ you ("Advisor") as investment advisor and to perform investment accounting services, and Advisor agrees to serve in said capacities, on the following terms and conditions:

1. Definitions

"Authorized Investments" - Equity Investments, Long Term Investments and Short Term Investments.

"Equity Investments" - any common stock or other equity investments that conform to the restrictions applicable to such investments in the Guidelines.

"Investment Accounts" or "Accounts" - the separate accounts for each Client which are each to be managed in accordance with paragraph 2(a) hereof. The Accounts shall consist of those custody accounts held by the Custodian (hereinafter defined) or any successor Custodian, for which Client has directed the Custodian to follow instructions from Advisor regarding the purchase and/or sale of assets therein.

"Long Term Investments" - any fixed-income investment with a maturity remaining at the time of purchase of one year or more.

"Short Term Investments" - any fixed-income investment with a maturity remaining at the time of purchase of less than one year, made pending the availability and/or consummation of appropriate Long Term or Equity Investments.

2. Authority

(a) Investment Accounts

Advisor shall have full power to supervise and direct Authorized Investments in the Investment Accounts, making and implementing investment decisions without prior consultation with Client, in accordance with the objectives and limitations furnished to the Advisor in writing by Client from time to time (such objectives and limitations, as in effect from time to time, are hereafter referred to as the "Guidelines"), and subject to the authorization and limitations contained in Wisconsin Insurance Code Chapter 620 and the Wisconsin Adm. Code Section Ins. 6.20. The Guidelines in effect on the date hereof are attached hereto as Exhibit A.

(b) Control

Notwithstanding the authority of Advisor under this Agreement, Client shall retain ultimate control of the investment advisory and accounting services being performed by Advisor, and Client shall own and have custody of its general corporate accounts and records. The authority of Advisor under this Agreement shall not be limited by this subsection (b), unless, and except to the extent that, Client has given specific directions in writing to Advisor which refer to this sub-paragraph.

3. Custody

Client will appoint a custodian ("Custodian") to take and have separate possession of the assets of each of the Accounts. Client will bear responsibility for custodial charges. Advisor shall not be the Custodian.

4. Brokerage; Transactions with Affiliates

Advisor may place orders for the execution of transactions with or through such brokers, dealers or banks as Advisor may select and, in compliance with Section 28(e) of the Securities Exchange Act of 1934, may, from the appropriate Accounts' assets, pay a commission on transactions whether or not in excess of the amount of the commission another broker or dealer would have charged.

Without limiting the preceding sentence, but subject to the other provisions of this paragraph and applicable law, Advisor may place orders for the execution of transactions with or through Robert W. Baird & Co., Inc. ("Baird"), an "affiliate" of Advisor as defined in Rule 144 of the Securities Act of 1933 that is approximately 92% owned by Advisor's parent corporation, The Northwestern Mutual Life Insurance Company.

5. Reports to Client

Advisor will send Client monthly reports of income, gains/losses and transaction summaries for the Accounts and a quarterly report for the Boards of Directors meetings described below. Advisor will instruct the Custodian to make confirmations of transactions available to Client electronically in accordance with past practices. Advisor does not assume responsibility for the accuracy of information furnished by Client or any other party. The monthly and quarterly reports shall be in a form mutually agreed to by Client and Advisor with such supplements as Advisor considers appropriate.

Advisor will also prepare reports for the Boards of Directors of Client as Client may designate, and shall make one of its employees available for Boards of Directors meetings and Securities Investment Committee meetings of Client and annual rating agency meetings as may be held from time to time to describe and answer questions concerning its transactions and performance.

6. Investment Accounting

Advisor will perform investment accounting for the Investment Accounts including, but not limited to monthly journal entries, inventories, investments held, monthly details of acquisitions and dispositions and annual Schedule D reporting and all related recordkeeping functions relevant thereto.

7. Voting of Portfolio Securities

Decisions on voting of proxies for the Investment Accounts will be made by Advisor unless Client otherwise specifically directs.

8. Confidential Relationship

All information and advice furnished by either party to the other (other than, in the case of Client, regular monthly and quarterly reports and transactional confirmations and other information about Client's positions in the Accounts) shall be treated as confidential, provided, however, that Advisor may furnish listings of Client's positions to brokers to facilitate hedging, swaps, and offsetting transactions. Such information and advice shall not be disclosed to third parties except as required by law, or court order, or as may be considered necessary by Client or Advisor in disclosures to its Board of Directors, management personnel, independent accountants, rating agencies, regulatory authorities, the National Association of Insurance Commissioners, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

This paragraph 8 shall not apply to information which (a) becomes generally available to the public other than by breach of the foregoing confidentiality provisions, (b) was available to the party making disclosure prior to a disclosure under this Agreement, or (c) otherwise becomes available to the party making disclosure from a person who, to the knowledge of the disclosing party, is not bound by a confidentiality agreement with the other party.

9. Non-Exclusive Contract

Advisor acts as advisor to other clients and may give advice, and take action, with respect to any of those clients which may differ from the advice given, or the timing or nature of the action taken, with respect to the Accounts. Advisor shall have no obligation to purchase or sell for the Accounts, or to recommend for purchase or sale by the Accounts, any security which Advisor, its principals, affiliates or employees may purchase or sell for themselves or for any other clients.

Client recognizes that transactions in a specific security may not be accomplished for all client accounts or for all of Client's Accounts at the same time or at the same price.

10. Agreement Not Assignable

No assignment (as that term is defined in the Investment Advisers Act of 1940) of this Agreement may be made by Advisor without written consent of Client.

11. Termination

This Agreement may be terminated at any time by any signatory to this Agreement for its respective Account upon ninety (90) days' prior written notice and by Advisor upon one hundred eighty (180) days' prior written notice. Fees will be prorated to the date of termination and any unearned portion of any prepaid fees will be refunded.

12. Representations

Advisor represents that it is registered as an investment advisor under the Investment Advisers Act of 1940 and that such registration is currently effective.

Client represents that employment of Advisor, including the right to make decisions with respect to the voting of proxies, if granted, is authorized by, has been accomplished in accordance with, and does not violate, the documents, if any, governing the Accounts. Client will furnish Advisor with true copies of all governing documents.

13. Communications

Except as limited by paragraph 2 hereof, instructions may be given orally by either party and, where deemed necessary, may be confirmed in writing as soon as practicable. For purposes of instructions by Client, and any other action taken by Client (other than termination or amendment of this Agreement) such instructions given and action taken by Mortgage Guaranty Insurance Corporation shall be effective for all Clients, and Advisor may rely on same.

Notices and other communications required to be given in writing under this Agreement shall be sent by fax and confirmed by certified mail, and shall be deemed given when received at the addresses specified below the parties' signatures, and, as to the Custodian, at such address as it or Client may specify to Advisor in writing, or at such other address as a party to receive notice may specify in a notice given in accordance with this provision. Advisor may rely on any notice from any person reasonably believed to be genuine and authorized.

14. Fees

It is the intention of the parties that Advisor's compensation for services shall be calculated and paid in accordance with the Schedule of Fees attached hereto as Exhibit B, which the parties agree is fair and reasonable. Client's execution of this Agreement is certification that Client has secured all required State Insurance Commissioner approvals.

15. Disclosure Statement

Client acknowledges receipt of Advisor's Disclosure Statement, as required by Rule 204-3 under the Investment Advisers Act of 1940, not less than 48 hours prior to the date of acceptance of this Agreement shown below.

16. Access to Books and Records

Advisor shall provide Client, its independent accountants, counsel and other representatives, access during reasonable hours at Advisor's offices to Advisor's books and records as they relate to the Accounts, and Advisor shall co-operate in providing information in connection therewith.

17. Amendment and Restatement; Entire Agreement; Governing Law

This Agreement amends and restates that certain letter agreement between the parties dated as of December 29, 1989 (as amended), and constitutes the entire agreement of the parties with respect to management and servicing of the Accounts. This Agreement can be amended only by written document signed by the parties. This Agreement shall not become effective unless and until approval (or non-disapproval) thereof has been received by Client from the Commissioner of Insurance of Wisconsin as may be required by applicable law and regulation. It shall be governed by the laws of the State of Wisconsin.

Approved by Mortgage Guaranty
Insurance Corporation

By: /s/ J. Michael Lauer
Name: J. Michael Lauer
Title: Chief Financial Officer

Approved by MGIC Mortgage Insurance Corporation	Approved by MGIC Reinsurance Corporation
By: /s/ J. Michael Lauer	By: /s/ J. Michael Lauer
Name: J. Michael Lauer	Name: J. Michael Lauer
Title: Chief Financial Officer	Title: Chief Financial Officer

Agreed to and Accepted this
12th day of December, 1997.

Northwestern Mutual Investment Services, Inc.

By: /s/ Mark G. Doll
Name: Mark G. Doll
Title: Senior Vice President

Exhibit 10.7

MGIC INVESTMENT CORPORATION
1991 STOCK INCENTIVE PLAN, AS AMENDED

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

2. Administration.

(a) Stock Award Committee. The Amended Plan shall be administered under the supervision of the Board of Directors of the Company (the "Board"), which shall exercise its powers, to the extent herein provided, through the agency of the Stock Award Committee (the "Committee"), which shall consist of at least two members and shall be appointed from among the members of the Board who are "Non-Employee Directors," as that term is defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or any substitute provision therefor ("Rule 16b-3"). Any member of the Committee may resign or be removed by the Board and new members may be appointed by the Board. Additionally, the Committee shall be constituted so as to satisfy at all times the outside director requirement of Code Section 162(m) and the regulations thereunder or any substitute provision therefor.

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

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

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

3. Stock Subject to Awards. The aggregate number of shares of Common Stock for which Awards may be granted under the Amended Plan shall not exceed 7,000,000 shares, subject to adjustment as provided in Section 8 below. If, and to the extent that, Options granted under the Amended Plan terminate or expire without having been exercised, or shares of Restricted Stock under the Amended Plan are forfeited, the shares covered by such terminated or expired Options or forfeited Restricted Stock, as the case may be, may be the subject of further grants under the Amended Plan. Restricted Stock granted under the Amended Plan and shares issued upon the exercise of any Option granted under the Amended Plan may be, at the Company's discretion, shares of authorized and unissued Common Stock, shares of issued Common Stock held in the Company's treasury or reacquired shares or any combination thereof. The foregoing notwithstanding, the maximum number of shares of Restricted Stock for which Awards may be granted is 200,000 shares.

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

5. Provisions Applicable to Options.

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

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

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

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

(ii) Three Hundred Sixty-Five (365) days after the termination of the Participant's employment with the Company and all subsidiaries thereof by reason of the Participant's death, or by reason of the Participant's retirement from the

Company and all subsidiaries thereof after reaching age 55 and after having been employed by the Company or any subsidiary thereof for at least seven (7) years;

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

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

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

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

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

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

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

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

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

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

6. Restricted Stock Awards. The Committee may make awards of Restricted Stock ("Restricted Stock Awards") to Participants who are

Employees, and shall make Awards to Non-Employee Directors, subject to the provisions of this Section 6.

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

(b) Payment of Restricted Stock Awards. Restricted Stock Awards shall be made by delivering to the Participant or an Escrow Agent (as defined below) a certificate or certificates for such shares of Restricted Stock of the Company, as determined by the Committee ("Restricted Shares"), which Restricted Shares shall be registered in the name of such Participant. The Participant shall have all of the rights of a holder of Common Stock with respect to such Restricted Shares except as to such restrictions as appear on the face of the certificate. The Committee may designate the Company or one or more of its employees to act as custodian or escrow agent for the certificates ("Escrow Agent").

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

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

(e) Deposit Share Program. Subject to the provisions set forth below and subject to rules established by the Committee, pursuant to the Company's Deposit Share Program, (1) Employees may elect to acquire shares of Common Stock with a Fair Market Value up to a percentage designated by the Committee of cash bonuses under the Company's incentive compensation programs designated by the Committee, and (2) Non-Employee Directors shall be entitled to acquire shares of Common Stock with a Fair Market Value equal to up to 50% of the compensation of such Non-Employee Director for service as a director of the Company, including for service as a member of a Committee of the Board, during the preceding calendar year (in each case, "Deposit Shares"). Deposit Shares shall be issued in an amount which the Deposit Share Participant (as defined in Section 6(e)(i) below) elects to use to acquire Common Stock (subject to limits provided in this Section 6(e)) divided by the Fair Market Value of a share of Common Stock on the Award Date (as defined in Section 6(e)(ii) below). For purposes hereof, the term "Fair Market Value" shall be as determined by the Committee, except that during any period the Common Stock is traded on a recognized exchange, Fair Market Value shall be based upon the last sales price of Common Stock on the principal securities exchange on which the same is traded on the Award Date or if no sales of Common Stock have taken place on such date, the last sales price on the first date following the Award Date on which sales occur. Deposit Share Participants electing to deposit Deposit Shares with the Company under the Deposit Share Program and receive Restricted Stock Awards in connection therewith shall do so as follows:

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

(ii) Deposit Share Participants must make their irrevocable election on or before the date designated by the Committee or if no date is designated, then at least thirty (30) days prior to the Award Date. The Award Date ("Award Date") for each year in which a Deposit Share Participant is eligible to receive Deposit Shares shall be February 15, or the Monday following February 15 in any year in which February 15 falls on a Saturday or Sunday, unless the Committee designates a different Award Date. The

Award Date for Employees and Non-Employee Directors need not be the same. The Committee shall have the discretion to waive any date or deadline established pursuant to this section. The Committee may also allow a Deposit Share Participant who is an Employee to acquire Deposit Shares in lieu of a bonus, or to deliver a check equal to the dollar amount of bonuses for which the Deposit Share Participant may purchase Deposit Shares, in which case the full amount of the cash bonus (less applicable withholding) will be paid to the Employee and the Employee shall deliver a check to the Company, subject to the limitations established by the Committee.

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

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

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

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

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

(v) With respect to Employees, the Restricted Shares deposited by the Company shall vest in accordance with the schedule determined by the Committee. With respect to Non-Employee Directors, one-half of the Restricted Shares shall vest on the third anniversary of the date of the Award and the remaining one-half of the Restricted Shares shall vest on the sixth anniversary of the date of the Award. Awards of Restricted Stock shall be forfeited upon the Non-Employee Director ceasing to be a director of the Company for any reason, except in the case of death, as hereinafter provided in Section 6(e)(ix), except in the case of a Permissible Event (as hereinafter defined) or except as otherwise provided by the Committee. If a Non-Employee Director ceases to be a director by reason of a Permissible Event, the Restricted Shares shall vest, with respect to each vesting period as established under the Award, at the date the Non-Employee Director ceases to be a director (the "Termination Date") in a percentage (computed to the nearest whole percent) equal to the number of days elapsed from the Award Date to the Termination Date, divided by the number of days in the applicable vesting period. Any Restricted Shares that do not vest by reason of a Permissible Event shall be forfeited unless otherwise provided by the Committee. A Permissible Event shall be any termination of service as a director of the Company by reason of:

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

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

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

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

(vii) A Deposit Share Participant's interests in the Original Deposit or the Restricted Stock may not be sold, pledged, assigned or transferred in any manner, other than by will or the laws of descent and distribution, so long as such shares are held by the Escrow Agent, and any such sale, pledge, assignment or other transfer shall be null and void; provided, however, a pledge of the Deposit Share Participant's interest in the

Original Deposit or a transfer of such Participant's interest in the Original Deposit (any permitted transfer not being considered a withdrawal of the Original Deposit) or in the Restricted Stock may be permitted in accordance with rules which the Committee may establish. To the extent Restricted Shares become vested, at the same time as Restricted Shares are released by the Escrow Agent, the Escrow Agent shall also release a percentage (computed to the nearest whole percent) of the Original Deposit equal to the number of Restricted Shares then being released, divided by the number of Restricted Shares deposited by the Company with respect to the Original Deposit.

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

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

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

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

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

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

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

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

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

Awards specified in Section 3 or in Section 4 hereof shall be subject to the approval of the Company's shareholders unless made pursuant to the provisions of Section 8 hereof. No amendment of the Amended Plan shall adversely affect any right of any Participant with respect to any Award theretofore granted under the Amended Plan.

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

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

MGIC INVESTMENT CORPORATION
STOCK OPTION AGREEMENT

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

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

WHEREAS, the Board of Directors has determined that it is in furtherance of the objective of the Amended Plan, and in the best interests of the Company, to grant a stock option to the Employee to purchase the number of shares of Common Stock hereinafter set forth;

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

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

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

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

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

4. (a) Stock Options shall be deemed to have been granted as of the date of this Stock Option Agreement and shall become exercisable

or vested as follows:

(i) The portion of the Option Shares which shall vest or become exercisable on _______________ and on each of the next three one-year anniversaries of such date (__________________ and each of such three anniversaries referred to herein as an "Anniversary Date") shall be equal to the number of Option Shares awarded hereunder multiplied by a fraction, the numerator of which is the earnings per share of the Company for the fiscal year ending immediately prior to such Anniversary Date and the denominator of which is $_____ (the Company's cumulative earnings per share target for the fiscal year ended __________________, computed by compounding its ____ earnings per share at a ____ annual rate), provided, however, that the Company's earnings per share for any such fiscal year shall be deemed to be zero for the purpose of determining the numerator of the fraction referred to in the preceding sentence if such earnings per share are greater than zero and not ten percent higher than the Company's earnings per share for the immediately preceding fiscal year.(1) For purposes hereof, "earnings per share" means the amount of earnings (net of extraordinary items) attributable to each share of the Company's Common Stock outstanding (on a fully diluted basis), all as determined in accordance with generally accepted accounting principles;

(ii) If a change in control occurs, the Stock Option shall be exercisable in full as of the date thereof. For this purpose, "change in control" shall mean any event which results in the legal or beneficial ownership in one person or group of persons acting in concert of shares of Common Stock of the Company representing more than fifty percent (50%) of the outstanding Common Stock of the Company on the date of such event. It is understood that if a change in control occurs, this Section 4(a)(ii) shall apply even if the transaction by which such change in control occurs is also described in Section 4(c);

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

(iv) In the event that some or all of the Option Shares have not vested pursuant to Section 4(a)(i) above or other provisions of this Stock Option Agreement, such unvested Option Shares shall vest as of January 22, 2006.

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

	12/31/__	12/31/__	12/31/__	12/31/__	Cumulative Vesting
Earnings per share					
Vesting on the next Anniversary Date following fiscal year end					

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

(iv) ____________________.

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

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

(e) If the Employee dies while in the employ of the Company or any subsidiary and if the Employee's death occurs after the fiscal year in which the Stock Option is granted 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.

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

6. In the event of any change in the outstanding shares of the Company ("capital adjustment") for any reason, including but not limited to, any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event, an adjustment in the number or kind of shares of Common Stock subject to this Stock Option, the Option Price under this Stock Option and the Company's cumulative earnings per share target for purposes of Section 4(a)(i) hereof shall be made by the Committee in a manner consistent with such capital adjustment. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Stock Option Agreement.

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

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

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

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

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

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

and conclusive.

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

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

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

MGIC INVESTMENT CORPORATION

By:
____
President and Chief Executive Officer

ACCEPTED BY:

____
Name of Employee:_____________________
Number of Shares:_____________________

Exhibit 10.10

MGIC INVESTMENT CORPORATION

RESTRICTED STOCK AWARD AGREEMENT

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

W I T N E S S E T H:

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

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

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

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

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

3. Escrow. Certificates for shares of Restricted Stock shall be issued as soon as practicable in the name of the Non-Employee Director but shall be held in escrow by the Company, as escrow agent. Upon issuance of such certificates, (i) the Company shall give the Non-Employee Director a receipt for the Restricted Stock held in escrow which will state that the Company holds such Stock in escrow for the account of the Non-Employee Director, subject to the terms of this Agreement, and (ii) the Non-Employee Director shall give the Company a stock power for such Stock duly endorsed in blank which will be held in escrow for use in the event such Stock is forfeited in whole or in part. Unless forfeited as provided herein, Restricted Stock shall cease to be held in escrow and certificates for such Stock which have not been transferred to a Permitted Transferee shall be delivered to the Non-Employee Director, or in the case of his death, to his Beneficiary (as hereinafter defined) on the Release Date or upon any other termination of the restrictions imposed by Paragraph 2 hereof.

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

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

6. Forfeiture. Awards of Restricted Stock hereunder that have not vested shall be forfeited by the Non-Employee Director and shall revert to the Company upon the Non-Employee Director ceasing to be a director of the Company for any reason other than the Non-Employee Director's death or a "Permissible Event," unless otherwise provided by the Committee. A Permissible Event is termination of service as a director of the Company by reason of (a) the Non-Employee Director being ineligible for continued service as a director of the Company under the Company's retirement policy, or (b) the Non-Employee Director's taking a position with or providing services to a governmental, charitable or educational institution whose policies prohibit continued service on the Company's Board of Non-Employee Directors or under circumstances in which that continued service as a director of the Company would be a violation of law. If the Non-Employee Director ceases to be a director of the Company by reason of a Permissible Event, the Restricted Stock shall vest, at the date the Non-Employee Director ceases to be a director of the Company, in

a percentage (completed to the nearest whole percent) equal to the number of days elapsed from date of this Agreement to the date the Non-Employee Director ceases to be a director of the Company, divided by the number of days in the vesting period. For purposes of determining such percentage, the vesting period for 50% of the Restricted Stock shall end on the first Release Date specified on the signature page hereof and the vesting period for the remaining 50% shall end on the second Release Date so specified. All Restricted Stock that does not so vest shall be forfeited to the Company, unless otherwise determined by the Committee.

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

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

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

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

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

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

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

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

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

10. Adjustments in Event of Change in Stock. In the event of any

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

11. Change in Control. (a) If a change in control occurs, the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate on the date of the change in control. For this purpose, "change in control" shall mean any event which results in the legal or beneficial ownership in one person or group of persons acting in concert of shares of Stock representing more than fifty percent (50%) of the outstanding Stock on the date of such event. It is understood that if a change in control occurs, this Paragraph 11(a) shall apply even if the transaction by which such change in control occurs is also described in Paragraph 11(b).

(b) In the event of a sale, lease or transfer of all or substantially all of the Company's assets, equity securities or business, or merger, consolidation or other business combination involving the Company, the Committee may in its discretion provide that all or any portion of the restrictions of Paragraph 2 applicable to all or any portion of the Restricted Stock shall terminate, contingent upon the consummation of such event or not so contingent, and may take all such action as it deems necessary in connection therewith.

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

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

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

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

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

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

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

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

15. Deposit Share Program. If any of the Original Deposit (as defined in the Plan) is withdrawn prior to the release of any of the Restricted Stock, the Restricted Stock attributable to the shares withdrawn shall first be the Restricted Stock to be released on the first Release Date and shall then be the Restricted Stock to be released on the

Second Release Date, as both such Dates are specified on the signature page hereof. In the event of any conflict between the terms hereof and the terms and conditions of Section 6(e) of the Plan relating to the Deposit Share Program, the terms and conditions of Section 6(e) shall prevail.

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

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

MGIC INVESTMENT CORPORATION

By: ____________________ ____

No. of Shares of Restricted Stock: ________

Date of Agreement: ________________

Award Date: ________________

Release Dates: 50% on ____________
50% on ____________

Beneficiary: _______________________

Address of Beneficiary:
____
____

Beneficiary's Tax Identification
Number: ____________________________

Exhibit 10.11

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

The Executive Bonus Plan of the Company in effect for 1998 (which is not contained in a formal plan document), applies to certain officers of the Company, including the executive officers of the Company identified in the Form 10-K for the year ended December 31, 1997. Under the Executive Bonus Plan, if the Company achieves a minimum level of net income for 1998, an executive officer will be eligible for a bonus, depending upon the executive officer's performance with regard to the achievement of individual goals, within various ranges of up to 100% of such executive officer's base salary, depending on the range applicable to the executive officer.

EXHIBIT 11

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS (1)
For The Years Ended December 31, 1997, 1996 and 1995

	1997	1996	1995
	(In thousands, except per share data)		
BASIC EARNINGS PER SHARE			
Average common shares outstanding	116,332	117,787	117,084
Net income	$ 323,750	$ 257,991	$ 207,565
Net income per share	$ 2.78	$ 2.19	$ 1.77
DILUTED EARNINGS PER SHARE			
Adjusted shares outstanding:			
Average common shares outstanding	116,332	117,787	117,084
Net shares to be issued upon exercise of common stock equivalents	1,592	1,259	1,483
Adjusted shares outstanding	117,924	119,046	118,567
Net income	$ 323,750	$ 257,991	$ 207,565
Net income per share	$ 2.75	$ 2.17	$ 1.75

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

Exhibit 13

Information from the 1997 Annual Report of the Company to Shareholders which is incorporated by reference in this Annual Report on Form 10-K.

MGIC Investment Corporation & Subsidiaries
Five-Year Summary of Financial Information
Years Ended December 31, 1997, 1996, 1995, 1994 and 1993

	1997	1996	1995	1994	1993
	(In thousands of dollars, except per share data)				
SUMMARY OF OPERATIONS					
PREMIUMS:					
Net premiums written	$690,248	$588,927	$480,312	$410,296	$342,727
Net premiums earned	$708,744	$617,043	$506,500	$403,990	$299,342
Investment income	123,602	105,355	87,543	75,233	64,689
Realized investment gains, net	3,261	1,220	1,496	336	5,139
Other revenue	32,665	22,013	22,347	22,667	34,347
Total revenues	868,272	745,631	617,886	502,226	403,517
Losses and expenses:					
Losses incurred, net	242,362	234,350	189,982	153,081	107,132
Underwriting and other expenses	157,194	146,483	137,559	136,027	132,057
Interest expense	6,399	3,793	3,821	3,856	3,888
Ceding commission	(3,056)	(4,023)	(4,885)	(7,821)	(14,375)
Total losses and expenses	402,899	380,603	326,477	285,143	228,702
Income before tax	465,373	365,028	291,409	217,083	174,815
Provision for income tax	141,623	107,037	83,844	57,565	47,546
Net income	$323,750	$257,991	$207,565	$159,518	$127,269
Weighted average common shares outstanding (in thousands) (1)	117,924	119,046	118,567	117,955	117,851
Earnings per share (1) and (2)	$ 2.75	$ 2.17	$ 1.75	$ 1.35	$ 1.08
Dividends per share (1)	$ .095	$ .08	$ .08	$ .08	$ .0725
BALANCE SHEET DATA					
Total investments	$2,416,740	$2,036,234	$1,687,221	$1,292,960	$1,099,643
Total assets	2,617,687	2,222,315	1,874,719	1,476,266	1,343,205
Loss reserves	598,683	514,042	371,032	274,469	213,600
Long-term notes payable	237,500	-	35,799	36,147	36,459
Shareholders' equity	1,486,782	1,366,115	1,121,392	838,074	712,070
Book value per share	13.07	11.59	9.56	7.18	6.11

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

(2) Diluted earnings per share per Statement of Financial Accounting Standards No. 128, "Earnings Per Share."

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

MGIC Investment Corporation & Subsidiaries
Five-Year Summary of Financial Information
Years Ended December 31, 1997, 1996, 1995, 1994 and 1993

	1997	1996	1995	1994	1993
NEW PRIMARY INSURANCE WRITTEN ($ MILLIONS)	$ 32,250	$ 32,756	$ 30,277	$ 34,419	$ 37,041
NEW POOL RISK WRITTEN ($ MILLIONS)	394	2	1	27	17
INSURANCE IN FORCE (AT YEAR-END) ($ MILLIONS)					
Direct primary insurance					
New book*	$138,497	$131,397	$120,341	$104,416	$ 85,848

Old book*	4,971	6,505	8,196	9,932	12,737
Direct primary risk					
New book	32,175	29,308	25,502	20,756	16,810
Old book	1,260	1,637	2,055	2,481	3,180
Net primary risk					
New book	31,580	28,565	24,593	19,664	13,971
Old book	789	1,006	390	471	604
Direct pool risk					
New book	590	232	254	295	348
Old book	478	533	638	721	962
Net pool risk					
New book	530	181	186	195	188
Old book	318	349	134	157	211
PRIMARY LOANS IN DEFAULT RATIOS					
Policies in force					
New book	1,342,976	1,299,038	1,219,304	1,080,882	921,259
Old book	176,817	223,986	270,800	315,313	386,103
Loans in default					
New book	28,493	25,034	19,980	15,439	13,658
Old book	8,570	10,072	12,354	14,516	16,757
Percentage of loans in default					
New book	2.12%	1.93%	1.64%	1.43%	1.48%
Old book	4.85%	4.50%	4.56%	4.60%	4.34%
INSURANCE OPERATING RATIOS (GAAP)					
Loss ratio	34.2%	38.0%	37.5%	37.9%	35.8%
Expense ratio	18.4%	21.6%	24.6%	28.1%	25.7%
Combined ratio	52.6%	59.6%	62.1%	66.0%	61.5%
RISK-TO-CAPITAL RATIOS (STATUTORY)					
Combined insurance subsidiaries	16.4:1	18.8:1	19.9:1	20.6:1	18.9:1
MGIC	15.7:1	18.1:1	19.1:1	19.6:1	17.1:1

*The New book consists of insurance written by Mortgage Guaranty Insurance Corporation ("MGIC"), a subsidiary of MGIC Investment Corporation, since March 1, 1985. The Old book consists of insurance written or committed to by Wisconsin Mortgage Assurance Corporation ("WMAC") prior to March 1, 1985. At December 31, 1997 and 1996, MGIC and another subsidiary of MGIC Investment Corporation were reinsurers of, in the aggregate, 65.6% and 64.8%, respectively, of the Old book, and MGIC is the manager of the Old book for WMAC. The Direct information shown above for the Old book represents 100% of the Old book.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Consolidated Operations

1997 Compared with 1996

Net income for 1997 was $323.8 million, compared with $258.0 million in 1996, an increase of 25%. After giving effect for the Company's two-for-one stock split, effective June 2, 1997, net income per share for 1997 was $2.75, compared with $2.17 in 1996, an increase of 27%.

The amount of new primary insurance written by Mortgage Guaranty Insurance Corporation ("MGIC") during 1997 was $32.2 billion ($6.5 billion, $7.7 billion, $9.1 billion and $8.9 billion during the first through fourth quarters, respectively), compared with $32.8 billion in 1996 ($7.6 billion, $8.9 billion, $8.6 billion and $7.7 billion during the first through fourth quarters, respectively). Refinancing activity accounted for 15% of new primary insurance written in 1997 (17%, 12%, 12% and 20% of new primary insurance written for the first through fourth quarters, respectively), compared to 17% in 1996 (29%, 19%, 10% and 12% of new primary insurance written for the first through fourth quarters, respectively).

The $32.2 billion of new primary insurance written during 1997 was offset by the cancellation of $25.1 billion of insurance in force ($5.1 billion, $6.3 billion, $6.6 billion and $7.1 billion during the first through fourth quarters, respectively), and resulted in a net increase of $7.1 billion in primary insurance in force, compared to new primary insurance written of $32.8 billion, cancellation of $21.7 billion, and a net increase of $11.1 billion in insurance in force during 1996. Direct primary insurance in force was $138.5 billion at December 31, 1997, compared to $131.4 billion at December 31, 1996. 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, 1997 was $590.3 million compared to $232.3 million at December 31, 1996 and is expected to increase in 1998 as a result of outstanding commitments to write additional agency pool insurance.

Cancellation activity increased during 1997 due to favorable mortgage interest rates which resulted in a decrease in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 80.9% at December 31, 1997, from 82.0% at December 31, 1996. Cancellation activity could increase in 1998 if proposed legislation regarding cancellation of mortgage insurance is enacted. Persistency at March 31, 1998 is expected to decrease compared to December 31, 1997 as a result of favorable mortgage interest rates in January and February 1998.

Net premiums written increased 17% to $690.2 million in 1997, from $588.9 million in 1996. Net premiums earned increased 15% to $708.7 million in 1997, from $617.0 million in 1996. The increases were primarily a result of the growth in insurance in force.

Investment income for 1997 was $123.6 million, an increase of 17% over the $105.4 million in 1996. This increase was primarily the result of an increase in the amortized cost of average investment assets to $2.1 billion for 1997, from $1.8 billion for 1996, an increase of 19%. The increase was partially offset by a decrease in the portfolio's average pre-tax investment yield to 5.8% in 1997 from 5.9% in 1996. The portfolio's average after-tax investment yield was 5.0% for 1997 compared to 5.1% for 1996.

Other revenue was $32.7 million in 1997, compared with $22.0 million in 1996. The increase is primarily the result of $7.1 million of equity earnings from Credit-Based Asset Servicing and Securitization LLC ("C-BASS"), the Company's joint venture with Enhance Financial Services Group Inc. and an increase in fee-based services for underwriting.

Ceding commission for 1997 was $3.1 million, compared to $4.0 million in 1996, a decrease of 23%. The decrease was primarily attributable to reductions in premiums ceded under quota share reinsurance agreements.

Net losses incurred increased 3% to $242.4 million in 1997, from $234.4 million in 1996. Such increase was primarily due to an increase in the primary insurance notice inventory from 25,034 at December 31, 1996 to 28,493 at December 31, 1997, resulting from higher delinquency levels on insurance written in 1994 through 1996, the continued higher level of loss activity in certain high- cost geographic regions, a higher level of defaults which resulted from a higher percentage of the Company's insurance in force reaching its peak claim paying years and an increase in the number of defaults with deeper coverages. Offsetting this increase were favorable developments in prior- years loss reserves resulting from actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1996. At December 31, 1997, 57% of the insurance in force was written during the last three years, compared to 61% at December 31, 1996. The highest claim frequency years have typically been the third through fifth years after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from the historical pattern of other loans. A substantial portion of the insurance written in 1992 and 1993 represented insurance on the refinance of mortgage loans originated in earlier years.

Underwriting and other expenses increased 7% in 1997 to $157.2 million from $146.5 million in 1996. This increase in expenses was primarily due to an increase in expenses associated with the fee-based services for underwriting and an increase in premium tax due to higher premiums written.

The consolidated insurance operations loss ratio was 34.2% for 1997 compared to 38.0% for 1996. The consolidated insurance operations expense and combined ratios were 18.4% and 52.6%, respectively, for 1997 compared to 21.6% and 59.6%, respectively, for 1996.

The effective tax rate was 30.4% in 1997, compared with 29.3% in 1996. During both years, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investment income. The higher effective tax rate in 1997 resulted from a lower percentage of total income before tax being generated from tax-preferenced investments in 1997.

1996 Compared with 1995

Net income for 1996 was $258.0 million, compared with $207.6 million in 1995, an increase of 24%. After giving effect for the Company's two-for-one stock split, net income per share for 1996 was $2.17, compared with $1.75 in 1995, an increase of 24%.

The amount of new primary insurance written by MGIC during 1996 was $32.8 billion compared with $30.3 billion in 1995 ($6.1 billion, $7.0 billion, $9.0 billion and $8.2 billion during the first through fourth quarters, respectively). Refinancing activity accounted for 17% of new primary insurance written in 1996 compared to 11% in 1995 (7%, 6%, 13% and 17% of new primary insurance written for the first through fourth quarters, respectively).

The $32.8 billion of new primary insurance written during 1996 was offset by the cancellation of $21.7 billion of insurance in force and resulted in a net increase of $11.1 billion in primary insurance in force, compared to new primary insurance written of $30.3 billion, cancellation of $14.4 billion, and a net increase of $15.9 billion in insurance in force during 1995. Direct primary insurance in force was $131.4 billion at December 31, 1996, compared to $120.3 billion at December 31, 1995.

Cancellation activity increased during 1996 due to increased refinancing activity which resulted in a decrease in the MGIC persistency rate (percentage of insurance remaining in force from one year prior) to 82.0% at December 31, 1996, from 86.3% at December 31, 1995.

New insurance written for 1996 reflected an increase in the usage of the monthly premium product to 90% of new insurance written from 83% of new insurance written in 1995. New insurance written for adjustable-rate mortgages decreased to 26% of new insurance written in 1996 from 33% of new insurance written in 1995.

Principally as a result of changes in coverage requirements by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association which were effective in the first quarter of 1995, new insurance written for mortgages with loan-to-value ("LTV") ratios in excess of 85% but not more than 90% and coverage of 25% was 39% of new insurance written in 1996 compared to 33% in 1995. New insurance written for mortgages with LTV ratios in excess of 90% but not more than 95% and coverage of 30% was 38% of new insurance written in 1996 compared to 34% in 1995.

Net premiums written increased 23% to $588.9 million in 1996, from $480.3 million in 1995. Net premiums earned increased 22% to $617.0 million in 1996, from $506.5 million in 1995. The increases were primarily a result of the growth in insurance in force.

Investment income for 1996 was $105.4 million, an increase of 20% over the $87.5 million in 1995. This increase was primarily the result of an increase in the amortized cost of average investment assets to $1.8 billion for 1996, from $1.5 billion for 1995, an increase of 22%. The increase was partially offset by a decrease in the portfolio's average pre-tax investment yield to 5.9% in 1996 from 6.0% in 1995. The portfolio's average after-tax investment yield was 5.1% for 1996 compared to 5.2% for 1995.

Other revenue was $22.0 million in 1996, compared with $22.3 million in 1995. Other revenue represents activity of the Company's mortgage services operations, primarily contracts with government agencies for premium reconciliation and claim administration and fee-based services for underwriting.

Ceding commission for 1996 was $4.0 million, compared to $4.9 million in 1995, a decrease of 18%. The decrease was primarily attributable to reductions in premiums ceded under quota share reinsurance agreements.

Net losses incurred increased to $234.4 million in 1996, from $190.0 million in 1995, an increase of 23%. Such increase was primarily due to an increase in the notice inventory from 19,980 at December 31, 1995 to 25,034 at December 31, 1996 resulting from an increasing percentage of the Company's insurance in force reaching its peak claim paying years, concern with early loss developments on insurance written in late 1994 and the first half of 1995, the continued high level of loss activity in certain high-cost geographic regions and an increase in claim amounts on defaults with deeper coverages. The increase was partially offset by a redundancy in prior-year loss reserves resulting from actual claim rates and actual claim amounts being lower than those estimated by the Company when originally establishing the reserve at December 31, 1995. At December 31, 1996, 42% of the insurance in force was written during the last two years, compared to 48% at December 31, 1995. The highest claim frequency years have typically been the third through fifth years after the year of loan origination. However, the pattern of claims frequency for refinance loans may be different from the historical pattern of other loans. A substantial portion of the insurance written in 1992 and 1993 represented insurance on the refinance of mortgage loans originated in earlier years.

Underwriting and other expenses increased 6% in 1996 to $146.5 million from $137.6 million in 1995. This increase in expenses was primarily due to an increase associated with the fee-based services for underwriting and an increase in premium tax due to higher premiums written.

The consolidated insurance operations loss ratio was 38.0% for 1996 compared to 37.5% for 1995. The consolidated insurance operations expense and combined ratios were 21.6% and 59.6%, respectively, for 1996 compared to 24.6% and 62.1%, respectively, for 1995.

The effective tax rate was 29.3% in 1996, compared with 28.8% in 1995. During both years, the effective tax rate was below the statutory rate of 35%, reflecting the benefits of tax-preferenced investment income. The higher effective tax rate in 1996 resulted from a lower percentage of total income before tax being generated from tax-preferenced investments in 1996.

Financial Condition

Consolidated total investments were $2.4 billion at December 31, 1997, compared with $2.0 billion at December 31, 1996, an increase of 19%. The increase includes an increase of $66.6 million in unrealized gains on securities marked to market. The Company generated consolidated cash flows from operating activities of $364.0 million during 1997, compared to $367.8 million generated during 1996. The decrease in operating cash flows during 1997 is due primarily to the receipt, in 1996, of $40 million in connection with the assumption by MGIC of reinsurance on mortgage insurance written by Wisconsin Mortgage Assurance Corporation and an increase in losses paid during 1997 offset by an increase in renewal premiums. As of December 31, 1997, the Company had $114.7 million of short-term investments with maturities of 90 days or less, and 72% of the portfolio was invested in tax-preferenced securities. In addition, at December 31, 1997, based on book value, the Company's debt securities were approximately 98% invested in "A" rated and above, readily marketable securities, concentrated in maturities of less than 15 years. At December 31, 1997 the Company had $116.1 million of investments in equity securities compared to $4.0 million at December 31, 1996.

At December 31, 1997, the Company had no derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At December 31, 1997, the average duration of the Company's investment portfolio was 5.8 years. The effect of a 1% decrease in market interest rates would result in a 5.8% increase in the value of the Company's investment portfolio.

Consolidated loss reserves increased 16% to $598.7 million at December 31, 1997 from $514.0 million at December 31, 1996, reflecting the higher level of defaults as described in the Results of Consolidated Operations (1997 Compared with 1996). 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 $21.0 million from $219.3 million at December 31, 1996, to $198.3 million at December 31, 1997, reflecting the high level of monthly premium policies written in 1997, for which there is no unearned premium. Reinsurance recoverable on unearned premiums decreased $2.5 million to $9.2 million at December 31, 1997 from $11.7 million at December 31, 1996, primarily reflecting the reduction in unearned premiums.

Consolidated shareholders' equity increased to $1.5 billion at December 31, 1997, from $1.4 billion at December 31, 1996, an increase of 9%. This increase consisted of $323.8 million of net income during 1997, $13.1 million from the reissuance of treasury stock, and an increase in net unrealized gains on investments, net of tax, of $43.3 million, offset by the repurchase of $248.4 million of outstanding common shares and dividends declared of $11.0 million.

Liquidity and Capital Resources

The Company's consolidated sources of funds consist primarily of premiums written and investment income. Funds are applied primarily to the payment of claims and expenses. Approximately 70% of underwriting expenses are personnel-related costs, most of which are considered by the Company to be fixed costs over the short term. Approximately 7% of operating expenses relate to occupancy costs, which are fixed costs. Substantially all of the remaining operating expenses are considered by the Company to be variable in nature, with data processing costs and taxes, licenses and fees representing approximately 4% and 10%, respectively, of total operating expenses. The Company generated positive cash flows of approximately $364.0 million, $367.8 million and $286.5 million in 1997, 1996 and 1995, respectively, as shown on the Consolidated Statement of Cash Flows. Positive cash flows are invested pending future payments of claims and other expenses. Cash-flow shortfalls, if any, could be funded through sales of short-term investments and other investment portfolio securities.

In January 1997, the Company repaid mortgages payable of $35.4 million, which was secured by the home office and substantially all of the furniture and fixtures of the Company.

During 1997, the Company repurchased 4,655,985 shares of its common stock at a cost of approximately $248 million. Funds to repurchase the shares were primarily provided by borrowings under a credit facility evidenced by notes payable. The credit facility provides for up to $250 million of availability which decreases by $25 million each year beginning June 20, 1998 through June 20, 2001. Any outstanding borrowings under the facility mature on June 20, 2002. The Company has the option, on notice to the lenders, to prepay any borrowings subject to certain provisions.

MGIC has a 48% investment in C-BASS and during 1997, guaranteed one-half of a $20 million credit facility for C-BASS. The facility matured in February 1998 and was replaced by a $50 million credit facility, one-half of which was guaranteed by MGIC.

MGIC is the principal insurance subsidiary of the Company. MGIC's risk-to-capital ratio was 15.7:1 at December 31, 1997 compared to 18.1:1 at December 31, 1996. The decrease was due to MGIC's increased policyholders' reserves, partially offset by the additional risk in force of $2.4 billion resulting from the $14.3 billion net addition to insurance in force during 1997.

The Company's combined insurance risk-to-capital ratio was 16.4:1 at December 31, 1997, compared to 18.8:1 at December 31, 1996. The decrease was due to the same reasons as described above.

Year 2000 Issue

Almost all of the Company's computer systems, including all of the systems which are integral to its business, either have been originally developed to be Year 2000 compliant or have been reprogrammed. The Company plans to reprogram the remaining systems and to complete tests of all systems for Year 2000 compliance by the end of 1998. All costs incurred through year end 1997 for systems for Year 2000 compliance have been expensed and were immaterial. The costs of the remaining reprogramming and testing are expected to be immaterial. Some of the Company's computer systems integral to its business interface with computer systems of third parties. Virtually all transactions with systems operated by third parties involve nationally recognized service bureaus, Fannie Mae, Freddie Mac or other companies that were among the top 50 mortgage servicers in 1997. The Company is assuming that these third parties will successfully address Year 2000 compliance for their own systems and is planning to work with many of these third parties in 1998 to coordinate testing of Year 2000 system interfaces. As a result, the Company does not anticipate Year 2000 compliance arising from interfaces with third-party systems will have a material impact on its operations.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Years Ended December 31, 1997, 1996 and 1995

	1997	1996	1995
	(In thousands of dollars, except per share data)		
Revenues:			
Premiums written:			
Direct	$ 692,134	$ 587,626	$ 492,238
Assumed	11,597	16,912	8,043
Ceded (note 7)	(13,483)	(15,611)	(19,969)
Net premiums written	690,248	588,927	480,312
Decrease in unearned premiums	18,496	28,116	26,188
Net premiums earned (note 7)	708,744	617,043	506,500
Investment income, net of expenses (note 4)	123,602	105,355	87,543
Realized investment gains, net (note 4)	3,261	1,220	1,496
Other revenue	32,665	22,013	22,347
Total revenues	868,272	745,631	617,886
Losses and expenses:			
Losses incurred, net (note 7)	242,362	234,350	189,982
Underwriting and other expenses	157,194	146,483	137,559
Interest expense	6,399	3,793	3,821
Ceding commission (note 7)	(3,056)	(4,023)	(4,885)
Total losses and expenses	402,899	380,603	326,477
Income before tax	465,373	365,028	291,409
Provision for income tax (note 9)	141,623	107,037	83,844
Net income	$ 323,750	$ 257,991	$ 207,565
Earnings per share (note 10):			
Basic	$ 2.78	$ 2.19	$ 1.77
Diluted	$ 2.75	$ 2.17	$ 1.75

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 1997 and 1996

ASSETS	1997	1996
	(In thousands of dollars)	
Investment portfolio (note 4):		
Securities, available-for-sale, at market value:		
Fixed maturities	$2,185,954	$1,892,081
Equity securities	116,053	4,039
Short-term investments	114,733	140,114
Total investment portfolio	2,416,740	2,036,234
Cash	4,893	3,861
Accrued investment income	35,485	33,363
Reinsurance recoverable on loss reserves (note 7)	26,415	29,827
Reinsurance recoverable on unearned premiums (note 7)	9,239	11,745
Home office and equipment, net	33,784	35,050
Deferred insurance policy acquisition costs	27,156	31,956
Investment in unconsolidated subsidiary	29,400	14,950
Other assets	34,575	25,329
Total assets	$2,617,687	$2,222,315
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves (notes 6 and 7)	$ 598,683	$ 514,042
Unearned premiums (note 7)	198,305	219,307
Notes payable (note 5)	237,500	35,424
Income taxes payable (note 9)	27,717	23,111
Other liabilities	68,700	64,316
Total liabilities	1,130,905	856,200
Contingencies (note 12)		
Shareholders' equity (note 10):		
Common stock, $1 par value, shares authorized 150,000,000; shares issued 121,110,800; outstanding 1997 - 113,791,593; 1996 - 117,900,868	121,111	121,111
Paid-in surplus	218,499	207,984
Treasury stock (shares at cost 1997 - 7,319,207 1996 - 3,209,932)	(252,942)	(7,073)
Unrealized appreciation in investments, net of tax	83,985	40,685
Retained earnings (note 10)	1,316,129	1,003,408
Total shareholders' equity	1,486,782	1,366,115
Total liabilities and shareholders' equity	$2,617,687	$2,222,315

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Years Ended December 31, 1997, 1996 and 1995

	Common stock	Paid-in surplus	Treasury stock	Unrealized appreciation (depreciation) in investments	Retained earnings
			(In thousands of dollars)		
Balance, December 31, 1994	$ 121,111	$ 193,789	$ (9,166)	$ (24,308)	$ 556,648
Net income	-	-	-	-	207,565
Unrealized investment gains, net	-	-	-	79,045	-
Dividends declared	-	-	-	-	(9,371)
Reissuance of treasury stock	-	5,085	994	-	-
Balance, December 31, 1995	121,111	198,874	(8,172)	54,737	754,842
Net income	-	-	-	-	257,991
Unrealized investment losses, net	-	-	-	(14,052)	-
Dividends declared	-	-	-	-	(9,425)
Reissuance of treasury stock	-	9,110	1,099	-	-
Balance, December 31, 1996	121,111	207,984	(7,073)	40,685	1,003,408
Net income	-	-	-	-	323,750
Unrealized investment gains, net	-	-	-	43,300	-
Dividends declared	-	-	-	-	(11,029)
Repurchase of outstanding common shares	-	-	(248,426)	-	-
Reissuance of treasury stock	-	10,515	2,557	-	-
Balance, December 31, 1997	$ 121,111	$ 218,499	$ (252,942)	$ 83,985	$ 1,316,129

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Years Ended December 31, 1997, 1996 and 1995

	1997	1996	1995
	(In thousands of dollars)		
Cash flows from operating activities:			
Net income	$ 323,750	$ 257,991	$ 207,565
Adjustment to reconcile net income to net cash provided by operating activities:			
Amortization of deferred insurance policy acquisition costs	21,373	26,772	29,693
Increase in deferred insurance policy acquisition costs	(16,573)	(20,772)	(24,748)
Depreciation and other amortization	8,187	8,969	8,613
Increase in accrued investment income	(2,122)	(4,150)	(4,876)
Decrease (increase) in reinsurance recoverable on loss reserves	3,412	4,029	(194)
Decrease in reinsurance recoverable on unearned premiums	2,506	3,740	3,791
Increase in loss reserves	84,641	143,010	96,563
Decrease in unearned premiums	(21,002)	(31,856)	(29,980)
Increase in investment in unconsolidated subsidiary	(14,450)	(14,950)	-
Other	(25,761)	(5,021)	110
Net cash provided by operating activities	363,961	367,762	286,537
Cash flows from investing activities:			
Purchase of equity securities	(112,780)	-	-
Purchase of fixed maturities:			
Available-for-sale securities	(685,217)	(1,095,559)	(514,458)
Held-to-maturity securities	-	-	(34,521)
Proceeds from sale of equity securities	10,443	-	-
Proceeds from sale or maturity of fixed maturities:			
Available-for-sale securities	443,551	781,099	166,442
Held-to-maturity securities	-	-	22,615
Net cash used in investing activities	(344,003)	(314,460)	(359,922)
Cash flows from financing activities:			
Dividends paid to shareholders	(11,029)	(9,425)	(9,371)
Increase in notes payable	237,500	-	-
Principal repayments on long-term debt	(35,424)	(375)	(348)
Reissuance of treasury stock	13,072	10,209	6,079
Repurchase of common stock	(248,426)	-	-
Net cash (used in) provided by financing activities	(44,307)	409	(3,640)
Net (decrease) increase in cash and cash equivalents	(24,349)	53,711	(77,025)
Cash and cash equivalents at beginning of year	143,975	90,264	167,289
Cash and cash equivalents at end of year	$ 119,626	$ 143,975	$ 90,264

See accompanying 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, premium reconciliation, claim administration and portfolio analysis.

At December 31, 1997, the Company's direct primary insurance in force (representing the current principal balance of all mortgage loans that are currently insured) and direct primary risk in force was approximately $138.5 billion and $32.2 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, 1997 was approximately $.6 billion.

The Company's largest shareholder, The Northwestern Mutual Life Insurance Company ("NML"), held approximately 18% of the common stock of the Company at December 31, 1997.

2. Basis of presentation and summary of significant accounting policies
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of MGIC Investment Corporation and its wholly-owned subsidiaries. All intercompany transactions have been eliminated. The Company's 48% investment in Credit-Based Asset Servicing and Securitization LLC ("C-BASS"), a joint venture with Enhance Financial Services Group Inc., is accounted for on the equity method and recorded on the balance sheet as investment in unconsolidated subsidiary. The Company's equity earnings from C-BASS are included in other revenue.

Investments

The Company categorizes its investment portfolio according to its ability and intent to hold the investments to maturity. Fixed maturities which are classified as held- to-maturity are stated at amortized cost. Investments which the Company does not have the ability and intent to hold to maturity are considered to be available-for- sale and must be recorded at market and the unrealized gains or losses recognized as an increase or decrease to shareholders' equity. 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 $40.9 million and $36.1 million at December 31, 1997 and 1996, respectively.

Deferred insurance policy acquisition costs

The cost of acquiring insurance policies, including compensation, premium taxes and other underwriting expenses, is deferred, to the extent recoverable, and amortized as the related premiums are earned. No expenses are deferred on monthly premium policies.

Loss reserves

Reserves are established for reported insurance losses and loss adjustment expenses based on when notices of default on insured mortgage loans are received. Reserves are also established for estimated losses incurred on notices of default not yet reported by the lender. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans which are not currently in default. Reserves are established by management using estimated claims rates and claims amounts in estimating the ultimate loss. Amounts for salvage recoverable are considered in the determination of the reserve estimates. Adjustments to reserve estimates are reflected in the financial statements in the years in which the adjustments are made. The liability for reinsurance assumed is based on information provided by the ceding companies. (See note 6.)

Income recognition

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

Fee income of the non-insurance subsidiaries is earned as the services are provided.

Income taxes

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

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

Deferred income taxes are provided under the liability method which recognizes the future tax effects of temporary differences between amounts reported in the financial statements and the tax bases of these items. The expected tax effects are computed at the current federal tax rate. (See note 9.)

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 8.)

The Company accrues the estimated costs of retiree medical and life benefits over the period during which employees render the service that qualifies them for benefits. The Company offers both medical and dental benefits for retired employees and their spouses. Benefits are generally funded on a pay-as-you-go basis. (See note 8.)

Reinsurance

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

Earnings per share

The Company's basic and diluted earnings per share ("EPS") have been calculated in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128"). The Company's net income is the same for both basic and diluted EPS. Basic EPS is based on the weighted-average number of common shares outstanding. Diluted EPS is based on the weighted-average number of common shares outstanding and common stock equivalents which would arise from the exercise of stock options. The following is a reconciliation of the weighted-average number of shares used for basic EPS and diluted EPS. (See note 10.)

	Years Ended December 31,		
	1997	1996	1995
Weighted-average shares-			
Basic EPS	116,332	117,787	117,084
Common stock equivalents	1,592	1,259	1,483
	--------	--------	-------
Weighted-average shares-			

Diluted EPS	117,924	119,046	118,567
	========	========	=======

Earnings per share for 1996 and 1995 has been restated to reflect the provisions of SFAS 128. Previously reported EPS for 1996 and 1995, after adjustment for the stock split (see note 10), equaled diluted EPS under SFAS 128.

Statement of cash flows

For purposes of the consolidated statement of cash flows, the Company considers short-term investments to be cash equivalents, as short-term investments have original maturities of three months or less. Interest paid during 1997, 1996 and 1995 approximates interest expense.

New accounting standard

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS 130"), which is effective for fiscal years beginning after December 15, 1997. SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in financial statements. SFAS 130 will not impact the Company's financial position or results of operations.

Reclassifications

Certain reclassifications have been made in the accompanying financial statements to 1996 and 1995 amounts to allow for consistent financial reporting.

3. Related party transactions

The Company contracts with Northwestern Mutual Investment Services, Inc., a subsidiary of NML, for investment portfolio management and accounting services. The Company incurred expense of $1.1 million, $.9 million and $.9 million for these services in 1997, 1996 and 1995, respectively.

4. Investments

The following table summarizes the Company's investments at December 31, 1997 and 1996:

	Amortized Cost	Market Value	Financial Statement Value
	(In thousands of dollars)		
At December 31, 1997: Securities, available-for-sale:			
Fixed maturities	$2,069,133	$2,185,954	$2,185,954
Equity securities	103,670	116,053	116,053
Short-term investments	114,733	114,733	114,733
	---------	---------	---------
Total investment portfolio	$2,287,536	$2,416,740	$2,416,740
	=========	=========	=========
At December 31, 1996: Securities, available-for-sale:			
Fixed maturities	$1,832,193	$1,892,081	$1,892,081
Equity securities	1,333	4,039	4,039
Short-term investments	140,114	140,114	140,114
	---------	---------	---------
Total investment portfolio	$1,973,640	$2,036,234	$2,036,234
	=========	=========	=========

The amortized cost and market value of investments at December 31, 1997 are as follows:

December 31, 1997:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$60,972	$3,573	$(2)	$64,543
Obligations of states and political subdivisions	1,620,660	102,915	(555)	$1,723,020
Corporate securities	487,711	9,984	(42)	497,653
Mortgage-backed securities	437	32	-	469
Debt securities issued by foreign sovereign governments	14,086	916	-	15,002
	---------	-------	--------	---------
Total debt securities	2,183,866	117,420	(599)	2,300,687

Equity securities	103,670	14,582	(2,199)	116,053
Total investment portfolio	$2,287,536	$132,002	($2,798)	$2,416,740

The amortized cost and market value of investments at December 31, 1996 are as follows:

December 31, 1996:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	(In thousands of dollars)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$77,498	$1,483	($345)	$78,636
Obligations of states and political subdivisions	1,364,790	57,374	(1,437)	$1,420,727
Corporate securities	515,482	3,659	(1,304)	517,837
Mortgage-backed securities	571	33	-	604
Debt securities issued by foreign sovereign governments	13,966	425	-	14,391
Total debt securities	1,972,307	62,974	(3,086)	2,032,195
Equity securities	1,333	2,706	-	4,039
Total investment portfolio	$1,973,640	$65,680	($3,086)	$2,036,234

The amortized cost and market values of debt securities at December 31, 1997, by contractual maturity, are shown below. Debt securities consist of fixed maturities and short-term investments. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Market Value
	(In thousands of dollars)	
Due in one year or less	$120,796	$120,888
Due after one year through five years	215,530	221,781
Due after five years through ten years	948,392	1,005,462
Due after ten years	898,711	952,087
	2,183,429	2,300,218
Mortgage-backed securities	437	469
Total at December 31, 1997	$2,183,866	$2,300,687

Net investment income is comprised of the following:

	1997	1996	1995
	(In thousands of dollars)		
Fixed maturities	$117,448	$99,832	$79,328
Equity securities	485	240	240
Short-term investments	6,813	6,223	8,498
Other	65	82	409
Investment income	124,811	106,377	88,475
Investment expenses	(1,209)	(1,022)	(932)
Net investment income	$123,602	$105,355	$87,543

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

	1997	1996	1995
	(In thousands of dollars)		
Net realized investment gains (losses), on sale of investments:			
Fixed maturities	$ 3,734	$ 1,252	$ 1,502
Equity securities	(472)	(30)	-
Short-term investments	(1)	(2)	(6)
	3,261	1,220	1,496
Change in net unrealized appreciation (depreciation):			
Fixed maturities	56,934	(22,064)	111,359
Equity securities	9,677	233	191
Short-term investments	-	-	898

	66,611	(21,831)	112,448
Net realized investment gains (losses) and change in net unrealized appreciation (depreciation)	$69,872	$(20,611)	$113,944

At November 30, 1995, the Company transferred its entire held-to-maturity portfolio with a book value of $557.1 million to the available-for-sale portfolio. This transfer resulted in an increase to shareholders' equity of $30.3 million, net of tax.

The gross realized gains and the gross realized losses on sales of available-for-sale securities were $5.7 million and $2.4 million, respectively in 1997 and $8.6 million and $7.4 million, respectively in 1996. There were no sales or transfers of held-to-maturity securities during 1997, 1996 or 1995 other than the transfer on November 30, 1995 of the entire held-to-maturity portfolio to available-for-sale.

5. Notes payable

In January 1997, the Company repaid mortgages payable of $35.4 million, which were secured by the home office and substantially all of the furniture and fixtures of the Company.

During 1997, the Company repurchased 4,655,985 shares of its outstanding common stock from a financial intermediary at a cost of approximately $248 million. Funds to repurchase the shares were primarily provided by borrowings under a credit facility evidenced by notes payable. The weighted average interest rate on the notes at December 31, 1997 was 6.01% per annum. The interest rate on borrowings under the facility is variable.

The credit facility provides for up to $250 million of availability which decreases by $25 million each year beginning June 20, 1998 through June 20, 2001. Any outstanding borrowings under the facility mature on June 20, 2002. The Company has the option, on notice to the lenders, to prepay any borrowings subject to certain provisions.

The outstanding balance of the note payable at December 31, 1997 approximates market value.

Under the terms of the credit facility, the Company must maintain shareholders' equity of at least $900 million and MGIC must maintain a claims paying ability rating of AA- or better with Standard & Poor's Corporation ("S&P"). At December 31, 1997, the Company had shareholders' equity of $1,487 million and MGIC had a claims paying ability rating of AA+ from S&P.

During 1997 MGIC guaranteed one half of a $20 million credit facility for C-BASS. The facility matures in February 1998.

6. Loss reserves

Loss reserve activity was as follows:

	1997	1996	1995
	(In thousands of dollars)		
Reserve at beginning of year	$ 514,042	$ 371,032	$ 274,469
Less reinsurance recoverable	29,827	33,856	33,662
Net reserve at beginning of year	484,215	337,176	240,807
Reserve transfer(1)	537	35,657	-
Adjusted reserve at beginning of year	484,752	372,833	240,807
Losses incurred:			
Losses and LAE incurred in respect of default notices received in:			
Current year	360,623	312,630	226,439
Prior years (2)	(118,261)	(78,280)	(36,457)
Subtotal	242,362	234,350	189,982
Losses paid:			
Losses and LAE paid in respect of default notices received in:			
Current year	15,257	16,872	14,115
Prior years	139,589	106,096	79,498
Subtotal	154,846	122,968	93,613
Net reserve at end of year	572,268	484,215	337,176
Plus reinsurance recoverables	26,415	29,827	33,856
Reserve at end of year	$ 598,683	$ 514,042	$ 371,032

(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 half 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 1996 to 1997 primarily due to an increase in the primary insurance notice inventory from 25,034 at December 31, 1996 to 28,493 at December 31, 1997 resulting from higher delinquency levels on insurance written in 1994 through 1996, the continued high level of loss activity in certain high cost geographic regions and an increase in the number of claims on defaults with deeper coverages. Offsetting this increase were favorable developments in prior years loss reserves, with the net effect of total losses incurred increasing from $234.4 million in 1996 to $242.4 million in 1997.

The favorable development of the reserves in 1997, 1996 and 1995 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, 1996, 1995 and 1994, respectively.

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

7. Reinsurance

The Company cedes a portion of its business to reinsurers and records assets for reinsurance recoverable on estimated reserves for unpaid losses and unearned premiums. Business written between 1985 and 1993 is ceded under various quota share reinsurance agreements with several reinsurers. The Company receives a ceding commission in connection with this reinsurance. There is no quota share reinsurance on business written subsequent to December 31, 1993.

In September 1996, the Company signed an agreement with Wisconsin Mortgage Assurance Corporation ("WMAC") and a WMAC reinsurer to assume all of the reinsurer's interest in WMAC mortgage insurance writings, which had been previously ceded to that reinsurer. WMAC wrote mortgage insurance on first mortgages collateralized by one-to-four-family residences until February 28, 1985. Under the agreement, the Company assumed reinsurance on approximately $4.2 billion of WMAC's insurance in force (representing approximately $1.1 billion of risk in force) committed to, or written, through February 28, 1985. As a result, the amount of WMAC's insurance in force ceded to the Company increased to approximately $6.2 billion (representing $1.6 billion of risk in force), with the portion of WMAC's insurance in force reinsured by the Company increasing from approximately 21 percent to approximately 65 percent. The Company received approximately $40 million as payment for its assumption of existing loss and unearned premium reserves related to the insurance in force being assumed from WMAC. In January 1997, the Company signed a similar agreement with WMAC and another WMAC reinsurer. As a result, the portion of WMAC's insurance in force reinsured by the Company increased slightly to approximately 66 percent at December 31, 1997.

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

	1997	1996	1995
Premiums earned:	(In thousands of dollars)		
Direct	$ 712,069	$ 623,148	$ 522,069
Assumed	12,665	13,245	8,191
Ceded	(15,990)	(19,350)	(23,760)
Net premiums earned	$ 708,744	$ 617,043	$ 506,500
Losses Incurred:			
Direct	$ 247,137	$ 226,702	$ 197,490
Assumed	3,683	17,073	7,108
Ceded	(8,458)	(9,425)	(14,616)
Net losses incurred	$ 242,362	$ 234,350	$ 189,892

8. Benefit plans

The components of the net periodic pension cost of the Company's defined benefit pension plan are as follows:

	1997	1996	1995
	(In thousands of dollars)		
Service cost	$ 3,569	$ 3,378	$ 3,118
Interest on projected benefit obligation	3,169	2,777	2,255
Actual return on plan assets	(8,865)	(5,235)	(7,532)
Net amortization and deferral	5,356	2,179	5,375
Net periodic pension cost	$ 3,229	$ 3,099	$ 3,216

The following lists the funded status of the pension plan as of December 31, 1997 and 1996:

	1997	1996
	(In thousands of dollars)	
Actuarial present value of benefit obligations:		
Vested	$ 39,470	$ 31,654
Non-vested	2,032	1,266
Accumulated benefit obligation	$ 41,502	$ 32,920
Projected benefit obligation	$ 51,190	$ 42,845
Net assets available for benefits	57,577	46,256
Projected benefit obligation less than plan assets	6,387	3,411
Unrecognized net asset	4,664	1,583
Pension asset	$ 1,723	$ 1,828

The discount rate used in determining the actuarial present value of the projected benefit obligation was 7 1/2% for 1997 and 1996. The discount rate used in determining the pension expense was 7 1/2% for 1997, 1996 and 1995. The expected long term rate of return on plan assets was 7 1/2% for 1997, 1996 and 1995, and the assumed rate of compensation increase was 6% for 1997, 1996 and 1995. Plan assets consist of fixed maturities and equity securities.

The components of the net periodic postretirement benefit cost of the Company's non-pension postretirement benefit plans are as follows:

	1997	1996	1995
	(In thousands of dollars)		
Service cost	$ 1,379	$ 1,208	$ 1,220
Interest on projected benefit obligation	1,268	1,171	1,019
Actual return on plan assets	(1,270)	(791)	(806)
Net amortization and deferral	1,226	933	1,131
Net periodic postretirement benefit cost	$ 2,603	$ 2,521	$ 2,564

The Company's liability for the unfunded accumulated postretirement benefit obligation as of December 31, 1997 and 1996, is as follows:

	1997	1996
	(In thousands of dollars)	
Actuarial present value of accumulated postretirement benefit obligation:		
Retirees	$ 3,812	$ 3,869
Active employees eligible to retire	2,415	1,936
Active employees ineligible to retire	13,137	12,010
Total accumulated postretirement benefit obligation	$ 19,364	$ 17,815
Fair value of assets	(8,632)	(6,248)
Unrecognized transition obligation	(7,949)	(8,479)
Unrecognized net gain relating to plan and discount rate changes	3,753	2,185
Accrued postretirement liability	$ 6,536	$ 5,273

The Company is amortizing the unrecognized transition obligation over 20 years. The discount rate used in determining the accumulated postretirement benefit obligation was 7 1/2% for 1997 and 1996. The expected long term rate of return on plan assets was 7 1/2% for 1997, 1996 and 1995. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 8.5% reduced over a period of 4 years to 6%. The effect of a 1% increase in the health care trend rate assumption would result in an increase of 21% in the accumulated postretirement benefit obligation from

$19.4 million to approximately $23.4 million.

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 $3.8 million, $3.6 million and $3.6 million in 1997, 1996 and 1995, respectively.

9. Income taxes

The components of the net deferred tax liability as of December 31, 1997 and 1996 are as follows:

	1997	1996
	(In thousands of dollars)	
Unearned premium reserves	$ (18,337)	$ (19,571)
Deferred policy acquisition costs	9,504	11,184
Loss reserves	(6,622)	1,559
Unrealized appreciation in investments	45,221	21,908
Other	(3,957)	(3,901)
Net deferred tax liability	$ 25,809	$ 11,179

At December 31, 1997, gross deferred tax assets and liabilities amounted to $56.8 million and $82.6 million, respectively. Management believes that all gross deferred tax assets at December 31, 1997 are fully realizable and no valuation reserve has been established.

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

	1997	1996	1995
	(In thousands of dollars)		
Federal:			
Current	$ 147,983	$ 116,160	$ 87,617
Deferred	(7,833)	(10,325)	(5,117)
State	1,473	1,202	1,334
Total provision	$ 141,623	$ 107,037	$ 83,844

The Company purchased $133.8 million, $93.6 million and $72.0 million of non-interest bearing U.S. Government Tax and Loss Bonds as a payment of current taxes in 1997, 1996 and 1995, respectively. The Company paid $12.5 million, $10.3 million and $8.5 million in estimated federal income taxes in 1997, 1996 and 1995, respectively. The Company also paid in 1997 $4.8 million in federal income taxes relating to assessments for 1991 and 1992.

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

	1997	1996	1995
	(In thousands of dollars)		
Tax provision computed at federal tax rate	$ 162,881	$ 127,760	$ 101,993
(Decrease) increase in tax provision resulting from:			
Tax exempt municipal bond interest	(24,926)	(22,114)	(18,955)
Other, net	3,668	1,391	806
Total income tax provision	$ 141,623	$ 107,037	$ 83,844

The Internal Revenue Service ("IRS") is presently examining the Company's income tax returns for 1993 and 1994. The Company has received proposed tax assessments and remitted payments relating to 1991 and 1992. Management believes that no material issues remain outstanding for any tax returns for years prior to those currently under examination.

In examinations through 1988 the IRS had proposed to delay the deduction for loss reserves on mortgage loans in default until the lender takes title to the mortgaged property. In August 1992, this issue was decided in favor of another private mortgage insurer by the Court of Appeals for the federal circuit applicable to the Company. However, the IRS has continued to pursue this position with other private mortgage insurers in other circuits.

Management believes that adequate provision has been made in the financial statements for any amounts which may become due with respect to the open years.

10. 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. In 1998, MGIC can pay $33.3 million of dividends and the other insurance subsidiaries of the Company can pay $2.5 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 1997, 1996 and 1995, the Company paid dividends of $11.0 million, $9.4 million and $9.4 million, respectively or $.095 per share in 1997 and $.08 per share in 1996 and 1995. In 1998, the Company can pay dividends of $25.9 million from its own funds and funds available from the non-insurance subsidiaries.

The principles used in determining statutory financial amounts differ from generally accepted accounting principles ("GAAP"), primarily for the following reasons:

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

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

Statutory financial statements only include a provision for current income taxes due, and purchases of Tax and Loss Bonds are accounted for as investments. GAAP financial statements provide for deferred income taxes, and purchases of Tax and Loss Bonds are recorded as payments of current income taxes.

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

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

Year Ended December 31,	Net Income	Equity	Contingency Reserve
	(In thousands of dollars)		
1997	$ 144,963	$ 394,274	$ 1,625,810
1996	67,094	274,118	1,317,438
1995	38,975	229,305	1,030,232

The differences between the statutory net income and equity presented above for the insurance subsidiaries and the consolidated net income and equity presented on a GAAP basis primarily represent the differences between GAAP and statutory accounting practices.

The Company has two stock option plans which permit certain officers and employees to purchase common stock at specified prices. A summary of activity in the stock option plans during 1995, 1996 and 1997 is as follows:

	Average Exercise Price	Shares Subject to Option
Outstanding, December 31, 1994	$ 8.50	3,739,200
Granted	18.08	66,666
Exercised	4.49	(450,780)
Canceled	15.31	(42,520)
Outstanding, December 31, 1995	9.15	3,312,566
Granted	30.57	61,334
Exercised	4.80	(636,654)
Canceled	15.41	(132,620)
Outstanding, December 31, 1996	10.40	2,604,626
Granted	37.04	1,592,000

Exercised	9.08	(532,332)
Canceled	31.19	(29,420)
Outstanding, December 31, 1997	$ 22.09	3,634,874

The exercise price of the options granted in 1996 and 1997 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, 1997, 3,722,757 shares were available for future grant under the stock option plans.

The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). Had compensation cost for the Company's stock option plans been determined based on the fair value method described by SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Year Ended December 31, 1997	1996	1995
Net income	$ 320,416	$ 257,807	$ 207,483
Earnings per share:			
Basic	$ 2.75	$ 2.19	$ 1.77
Diluted	$ 2.72	$ 2.17	$ 1.75

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:

	Year Ended December 31, 1997	1996	1995
Risk free interest rate	6.44%	6.73%	6.73%
Expected life	6.88 years	5.63 years	5.63 years
Expected volatility	28.07%	28.60%	28.60%
Expected dividend yield	0.16%	0.21%	0.21%

The following is a summary of stock options outstanding at December 31, 1997:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Shares	Remaining Average Life (years)	Average Exercise Price	Shares	Average Exercise Price
$2.50 - $3.45	842,200	2.8	$ 3.28	842,200	$ 3.28
$9.63 - $20.88	1,163,540	5.8	15.10	686,854	14.68
$26.69 - $36.44	1,589,134	9.0	36.22	11,022	30.30
$60.25	40,000	10.0	60.25	-	-
Total	3,634,874	6.6	$ 22.09	1,540.076	$ 8.56

At December 31, 1996 and 1995, option shares of 1,683,700 and 1,674,744 were exercisable at an average exercise price of $7.12 and $5.21, respectively. The Company also granted an immaterial amount of equity instruments other than options during 1996 and 1997.

On June 2, 1997 the Company effected a two-for-one stock split of the Company's common stock in the form of a 100% stock dividend. Per share and certain equity amounts set forth in the accompanying financial statements and notes have been adjusted to take into account the stock split.

11. Leases

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

Total rental expense under operating leases was $5.3 million, $5.1 million and $4.5 million in 1997, 1996 and 1995, respectively.

At December 31, 1997, minimum future operating lease payments are as follows (in thousands of dollars):

1998	$ 4,324
1999	3,153
2000	1,714
2001	872
2002	309
Total	$ 10,372

12. Contingencies

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

MGIC is a defendant in a lawsuit commenced by a borrower challenging the necessity of maintaining mortgage insurance in certain circumstances, primarily when the loan-to-value ratio is below 80%. The lawsuit purports to be brought on behalf of a class of borrowers. This case appears to be based to some degree upon guidelines issued by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association to their respective mortgage servicers under which the mortgage servicers may be required in certain circumstances to cancel borrower-purchased insurance upon the borrower's request. The plaintiff alleges that MGIC has a common law duty to inform a borrower that the insurance may be canceled in these circumstances. The relief sought is equitable relief as well as the return of premiums paid after the insurance was cancelable under the applicable guidelines. The Company believes that MGIC has a meritorious defense to this action in that, in the absence of a specific statute (no statutory duty other than under a general consumer fraud statute is alleged), there appears to be no legal authority requiring a mortgage insurer to inform a borrower that insurance may be canceled. Summary judgment was granted to MGIC in another case involving similar issues. Similar cases are pending against other mortgage insurers, mortgage lenders and mortgage loan servicers.

See note 9 for a description of federal income tax contingencies.

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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Milwaukee, Wisconsin
January 7, 1998

UNAUDITED QUARTERLY FINANCIAL DATA

1997	Quarter				1997
	First	Second	Third	Fourth	Year
	(In thousands of dollars, except per share data)				
Net premiums written	$155,606	$170,916	$184,003	$179,723	$690,248
Net premiums earned	170,292	173,479	180,542	184,431	708,744
Investment income, net of expenses	29,508	30,372	31,548	32,174	123,602
Losses incurred, net	63,194	58,251	60,785	60,132	242,362
Underwriting and other expenses	38,213	37,920	39,907	41,154	157,194
Net income	72,436	80,615	84,175	86,524	323,750
Earnings per share (a), (b):					
Basic	.61	.68	.73	.76	2.78
Diluted	.61	.67	.72	.75	2.75

1996	Quarter				1996
	First	Second	Third	Fourth	Year
	(In thousands of dollars, except per share data)				
Net premiums written	$123,528	$141,584	$158,532	$165,283	$588,927
Net premiums earned	144,640	150,727	156,779	164,897	617,043
Investment income, net of expenses	24,261	25,191	26,926	28,977	105,355
Losses incurred, net	56,837	56,889	60,247	60,377	234,350
Underwriting and other expenses	35,704	37,626	36,401	36,752	146,483
Net income	58,460	62,650	65,785	71,096	257,991
Earnings per share (a), (b):					
Basic	.50	.53	.56	.60	2.19
Diluted	.49	.53	.55	.60	2.17

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

(b) Amounts have been restated to reflect the provisions of SFAS 128.

MGIC STOCK

MGIC Investment Corporation Common Stock is listed on the New York Stock Exchange under the symbol MTG. At December 31, 1997, 113,791,593 shares were outstanding. The following table sets forth for 1996 and 1997 by quarter the high and low sales prices of the Company's common stock on the New York Stock Exchange Composite Tape.

	1996		1997	
Quarters	High	Low	High	Low
1st	$32.6250	$25.2500	$40.7500	$35.3750
2nd	30.7500	25.8125	50.2500	35.2500
3rd	34.7500	26.7500	59.7500	46.1250
4th	38.8750	33.0625	66.9375	55.6250

In 1996 and 1997 the Company declared and paid the following cash dividends:

Quarters	1996	1997
1st	$.020	$.020
2nd	.020	.025
3rd	.020	.025
4th	.020	.025
	$.080	$.095

Dividend and stock price data have been restated to reflect the June 1997 two-for-one stock split.

See Note 10 to the Consolidated Financial Statements for information relating to restrictions on the payment of cash dividends.

As of February 27, 1998, the number of shareholders of record was 364. In addition, there were an estimated 37,000 beneficial owners of shares held by brokers and fiduciaries.

EXHIBIT 21

MGIC INVESTMENT CORPORATION

DIRECT AND INDIRECT SUBSIDIARIES OF MGIC INVESTMENT CORPORATION(1)

1. MGIC Assurance Corporation
2. MGIC Credit Assurance Corporation
3. MGIC Insurance Services Corporation
4. MGIC Investor Services Corporation
5. MGIC Mortgage Insurance Corporation
6. MGIC Mortgage Marketing Corporation
7. MGIC Mortgage Reinsurance Corporation
8. MGIC Mortgage Securities Corporation
9. MGIC Real Estate Servicing Corporation
10. MGIC Reinsurance Corporation
11. MGIC Reinsurance Corporation of Wisconsin
12. MGIC Residential Reinsurance Corporation
13. MGIC Surety Corporation
14. Mortgage Guaranty Insurance Corporation
15. Mortgage Guaranty Reinsurance Corporation

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1 All subsidiaries listed are 100% directly or indirectly owned by the registrant and all are incorporated in Wisconsin.

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 7, 1998 appearing on page 23 of the 1997 Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedules, which appears in this Form 10-K.

1. Registration Statement on Form S-8 (Registration No. 33-42120)

2. Registration Statement on Form S-8 (Registration No. 33-43543)

PRICE WATERHOUSE LLP

Milwaukee, Wisconsin
March 25, 1998

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THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM FORM 10-K FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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DEC-31-1997
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