

# News Release

## **MGIC Investment Corporation**

New York Stock Exchange Common Stock Symbol -- MTG

MGIC Plaza, P.O. Box 488, Milwaukee, Wisconsin 53201

**MGIC**

*We don't make home loans  
We make home loans possible*

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## **MGIC Investment Corporation Second Quarter Earnings Per Share Up 10 Percent (Excluding Realized Gains)**

**MILWAUKEE (July 10, 2002)** — MGIC Investment Corporation (NYSE:MTG) today reported diluted earnings per share for the quarter ended June 30, 2002 of \$1.61, compared with \$1.49 for the same quarter a year ago, an increase of 8 percent. Earnings per share for the quarter, excluding realized gains, was \$1.58, compared with \$1.44 for the second quarter of 2001, an increase of 10 percent. Net income for the quarter was \$170.9 million, compared with \$161.2 million in the second quarter last year, an increase of 6 percent.

For the first six months of 2002, diluted earnings per share was \$3.19, compared with \$2.96 last year, an 8 percent increase. Earnings per share for the six months, excluding realized gains, was \$3.11, a 10 percent increase over the \$2.83 reported for the same period last year. Net income for the first six months was \$340.1 million, compared with \$319.1 million for the same period last year, an increase of 7 percent.

Curt S. Culver, president and chief executive officer of MGIC Investment Corporation and Mortgage Guaranty Insurance Corporation (MGIC), said that continued strong new business volume contributed to solid revenue growth and record earnings in the quarter.

Total revenues for the second quarter were \$383.8 million, up 13 percent from \$339.5 million in the second quarter of 2001. The growth in revenues resulted from a 12 percent increase in net premiums earned to \$288.2 million, and an increase in other revenues. Net premiums written for the quarter were \$286.6 million, compared with \$256.9 million in the second quarter last year, an increase of 12 percent.

New insurance written in the second quarter was \$21.8 billion, compared to \$22.4 billion in the second quarter of 2001. New insurance written for the quarter included \$5.7 billion of bulk business compared with \$6.3 billion in the same period last year.

Persistency, or the percentage of insurance remaining in force from one year prior, was 59.5 percent at June 30, 2002, compared with 61.0 percent at December 31, 2001, and 71.7 percent at June 30, 2001.

As of June 30, 2002, MGIC's primary insurance in force was \$194.5 billion, compared with \$183.9 billion at December 31, 2001, and \$171.6 billion at June 30, 2001. The book value of MGIC Investment Corporation's investment portfolio was \$4.5 billion at June 30, 2002, compared with \$4.1 billion at December 31, 2001, and \$3.7 billion at June 30, 2001.

At June 30, 2002, the percentage of loans that were delinquent, excluding bulk loans, was 2.55 percent, compared with 2.65 percent at December 31, 2001, and 2.18 percent at June 30, 2001. Including bulk loans, the percentage of loans that were delinquent at June 30, 2002 was 3.60 percent, compared to 3.46 percent at December 31, 2001, and 2.75 percent at June 30, 2001.

Losses incurred in the second quarter were \$64.4 million, up from \$36.3 million reported for the same period last year due to increases in losses paid and the delinquency inventory.

## **About MGIC**

MGIC ([www.mgic.com](http://www.mgic.com)), the principal subsidiary of MGIC Investment Corporation, is the nation's leading provider of private mortgage insurance coverage with \$194.5 billion primary insurance in force covering 1.6 million mortgages as of June 30, 2002. MGIC serves 5,000 lenders with locations across the country and in Puerto Rico, helping families achieve homeownership sooner by making affordable low-down-payment mortgages a reality.

## **Webcast Details**

As previously announced, MGIC Investment Corporation will hold a webcast today at 10 a.m. ET to allow securities analysts and shareholders the opportunity to hear management discuss the company's quarterly results. The call is being webcast and can be accessed at the company's website at [www.mgic.com](http://www.mgic.com). The webcast is also being distributed over CCBN's Investor Distribution Network to both institutional and individual investors. Investors can listen to the call through CCBN's individual investor center at [www.companyboardroom.com](http://www.companyboardroom.com) or by visiting any of the investor sites in CCBN's Individual Investor Network. The webcast will be available for replay through August 10, 2002.

## **Safe Harbor Statement**

### **Forward-Looking Statements and Risk Factors:**

The statements contained in this release and in comments the company may make on its earnings conference call that are not historical facts are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties, including those noted below. In addition, the risks described below could adversely affect the company's revenues, losses and expenses. Investors are encouraged to review and consider this information.

- Demand for mortgages may be adversely affected by increases in interest rates, adverse economic conditions, decreases in housing affordability or as a result of other factors.

- Growth of insurance in force or risk in force may be adversely affected by the factors affecting mortgage demand referred to above, and by alternatives to private mortgage insurance, including government mortgage insurance programs; use of credit enhancements by investors, including Fannie Mae and Freddie Mac, other than private mortgage insurance; use of other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage; holding mortgages in portfolio and self-insuring; and use of structures designed to avoid private mortgage insurance.
- Growth of insurance in force or risk in force may also be adversely affected by the competitive environment in the private mortgage insurance industry, including the type and pricing of products and services offered by the company and its competitors; and by persistency (which in turn is affected by interest rates, house prices and matters affecting when private mortgage insurance may be canceled).
- The percentage of mortgage originations that are purchase transactions compared to refinance transactions may be affected by interest rates, house price appreciation and other factors; and the percentage of mortgage originations that are adjustable rate mortgages may be affected by the shape of the yield curve.
- Net premiums written could be adversely affected if a proposed regulation by HUD under the Real Estate Settlement Procedures Act is adopted. The regulation would exclude from the anti-referral fee provisions of that Act a package of mortgage related settlement services, including any mortgage insurance premium paid at settlement, offered to a borrower at a guaranteed price.
- Loss performance (including paid and incurred losses) may be adversely affected by adverse changes in regional or national economies, which in turn affect borrowers' incomes and housing values.
- Expenses may not decline as loan origination volumes decline due to lenders seeking to outsource more of their underwriting.

Additional information about the risks and uncertainties discussed above, as well as additional material risks of the company's business, which risks could cause actual results to differ materially from those projected in forward looking statements, may be found in the company's SEC Form 10-Q report for the quarter ended March 31, 2002 under the caption "Management's Discussion and Analysis—Risk Factors."

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**MGIC INVESTMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(in thousands of dollars, except per share data)			
Net premiums written	\$ 286,615	\$ 256,903	\$ 569,712	\$ 486,491
Net premiums earned	\$ 288,169	\$ 257,372	\$ 572,618	\$ 498,554
Investment income	51,654	51,566	103,604	101,611
Realized gains	4,975	7,882	13,093	21,575
Other revenue	39,037	22,723	70,088	38,282
Total revenues	383,835	339,543	759,403	660,022
Losses and expenses:				
Losses incurred	64,416	36,304	124,130	65,681
Underwriting, other expenses	64,833	59,874	130,758	112,765
Interest expense	9,828	7,127	16,452	15,690
Ceding commission	(1,784)	(1,350)	(3,241)	(2,587)
Total losses and expenses	137,293	101,955	268,099	191,549
Income before tax	246,542	237,588	491,304	468,473
Provision for income tax	75,606	76,370	151,181	149,331
Net income	\$ 170,936	\$ 161,218	\$ 340,123	\$ 319,142
Weighted average common shares outstanding (Shares in thousands)	105,921	108,102	106,470	107,954
Diluted earnings per share (1)	\$ 1.61	\$ 1.49	\$ 3.19	\$ 2.96

**OTHER INFORMATION**

New primary insurance written ("NIW") (\$ millions)	\$ 21,809	\$ 22,399	\$ 45,383	\$ 39,128
New primary risk written (\$ millions)	\$ 5,472	\$ 5,468	\$ 11,409	\$ 9,457
Product mix as a % of primary NIW				
95% LTVs	37%	38%	36%	38%
ARMs	7%	3%	6%	3%
95% LTV / 30% coverage	26%	27%	25%	27%
90% LTV / 25% coverage	29%	30%	30%	30%
Refinances	35%	43%	42%	41%
New pool risk written (\$ millions)	\$ 83	\$ 110	\$ 190	\$ 158

(1) Diluted earnings per share includes amounts contributed from C-BASS of \$0.13 and \$0.08 for the three months ended June 30, 2002 and 2001, respectively, and of \$0.23 and \$0.15 for the six months ended June 30, 2002 and 2001, respectively.

**MGIC INVESTMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET AS OF**

	June 30, 2002	December 31, 2001	June 30, 2001
	(In thousands of dollars, except per share data)		
<b>ASSETS</b>			
Investments (1)	\$ 4,464,821	\$ 4,069,447	\$ 3,745,095
Cash	17,109	26,392	12,320
Reinsurance recoverable on loss reserves (2)	22,948	26,888	28,276
Reinsurance recoverable on unearned premiums	7,656	8,415	8,294
Home office and equipment, net	35,470	34,762	32,137
Deferred insurance policy acquisition costs	31,511	32,127	28,175
Other assets	384,799	368,981	316,592
	<u>\$ 4,964,314</u>	<u>\$ 4,567,012</u>	<u>\$ 4,170,889</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities:			
Loss reserves (2)	\$ 626,728	\$ 613,664	\$ 599,252
Unearned premiums	170,879	174,545	168,277
Short- and long-term debt	613,851	472,102	408,426
Other liabilities	308,360	286,514	214,603
Total liabilities	1,719,818	1,546,825	1,390,558
Shareholders' equity	3,244,496	3,020,187	2,780,331
	<u>\$ 4,964,314</u>	<u>\$ 4,567,012</u>	<u>\$ 4,170,889</u>
Book value per share	<u>\$ 31.22</u>	<u>\$ 28.47</u>	<u>\$ 25.93</u>
(1) Investments include unrealized gains on securities marked to market pursuant to FAS 115.	\$ 157,311	\$ 83,790	\$ 97,257
(2) Loss reserves, net of reinsurance recoverable on loss reserves	\$ 603,780	\$ 586,776	\$ 570,976

**OTHER STATISTICAL INFORMATION**

	June 30, 2002	December 31, 2001	June 30, 2001
Direct Primary Insurance In Force (\$ millions)	\$ 194,501	\$ 183,904	\$ 171,600
Direct Primary Risk In Force (\$ millions) (3)	48,153	45,243	41,749
Direct Pool Risk In Force (\$ millions)	2,112	1,950	1,823
Mortgage Guaranty Insurance Corporation - Risk-to-capital ratio	9.0:1	9.1:1	9.9:1
Primary Insurance:			
Insured loans	1,647,866	1,580,283	1,504,931
Persistency	59.5%	61.0%	71.7%
Total loans delinquent	59,314	54,653	41,390
Percentage of loans delinquent (delinquency rate)	3.60%	3.46%	2.75%
Loans delinquent excluding bulk loans (4)	35,251	36,193	29,584
Percentage of loans delinquent excluding bulk loans (delinquency rate)	2.55%	2.65%	2.18%
Bulk loans delinquent	24,063	18,460	11,806
Percentage of bulk loans delinquent (delinquency rate)	8.97%	8.59%	8.13%

(3) Direct primary risk in force, net of aggregate loss limits, was \$46,067 and \$42,678 at June 30, 2002 and December 31, 2001, respectively.

(4) Bulk loans are those that are part of a negotiated transaction between the lender and the mortgage insurer.