

MGIC INVESTMENT CORP  
Form 10-Q  
November 07, 2014

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FORM 10-Q  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

For the quarterly period ended September 30, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10816

MGIC INVESTMENT CORPORATION  
(Exact name of registrant as specified in its charter)

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

250 E. KILBOURN AVENUE 53202  
MILWAUKEE, WISCONSIN (Zip Code)  
(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>CLASS OF STOCK</u>	<u>PAR VALUE</u>	<u>DATE</u>	<u>NUMBER OF SHARES</u>
Common stock	\$1.00	10/31/14	338,559,545

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Forward Looking and Other Statements

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

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

September 30, 2014 and December 31, 2013

(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands)	
<b><u>ASSETS</u></b>		
Investment portfolio (notes 7 and 8):		
Securities, available-for-sale, at fair value:		
Fixed maturities (amortized cost, 2014 - \$4,644,561; 2013 - \$4,948,543)	\$4,626,979	\$4,863,925
Equity securities	3,022	2,894
Total investment portfolio	4,630,001	4,866,819
Cash and cash equivalents	243,922	332,692
Restricted cash and cash equivalents (note 1)	17,207	17,440
Accrued investment income	30,483	31,660
Prepaid reinsurance premiums (note 4)	44,230	36,243
Reinsurance recoverable on loss reserves (note 4)	57,898	64,085
Reinsurance recoverable on paid losses (note 4)	6,450	10,425
Premium receivable	60,330	62,301
Home office and equipment, net	28,583	26,185
Deferred insurance policy acquisition costs	11,650	9,721
Profit commission receivable	68,952	2,368
Other assets	139,672	141,451
Total assets	\$5,339,378	\$5,601,390
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Liabilities:		
Loss reserves (note 12)	\$2,527,582	\$3,061,401
Premium deficiency reserve (note 13)	28,711	48,461
Unearned premiums	185,992	154,479
Senior notes (note 3)	61,906	82,773
Convertible senior notes (note 3)	845,000	845,000
Convertible junior debentures (note 3)	389,522	389,522
Other liabilities	316,157	275,216
Total liabilities	4,354,870	4,856,852
Contingencies (note 5)		
Shareholders' equity (note 14):		
Common stock (one dollar par value, shares authorized 1,000,000; shares issued 2014 and 2013 - 340,047; shares outstanding 2014 - 338,560; 2013 - 337,758)	340,047	340,047
Paid-in capital	1,661,061	1,661,269
Treasury stock (shares at cost 2014 - 1,487; 2013 - 2,289)	(32,937 )	(64,435 )
Accumulated other comprehensive loss, net of tax (note 9)	(56,776 )	(117,726 )
Accumulated deficit	(926,887 )	(1,074,617)
Total shareholders' equity	984,508	744,538

Total liabilities and shareholders' equity	\$5,339,378	\$5,601,390
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See accompanying notes to consolidated financial statements.

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MGIC INVESTMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Three and Nine Months Ended September 30, 2014 and 2013  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
Revenues:				
Premiums written:				
Direct	\$255,041	\$247,254	\$740,479	\$749,282
Assumed	400	509	1,281	1,591
Ceded (note 4)	(32,536 )	(13,485 )	(87,450 )	(31,473 )
Net premiums written	222,905	234,278	654,310	719,400
Increase in unearned premiums, net	(13,870 )	(2,421 )	(23,528 )	(2,707 )
Net premiums earned	209,035	231,857	630,782	716,693
Investment income, net of expenses	22,355	20,250	63,691	59,461
Realized investment gains, net	632	189	923	3,933
Total other-than-temporary impairment losses	-	(328 )	-	(328 )
Portion of losses recognized in other comprehensive income, before taxes	-	-	-	-
Net impairment losses recognized in earnings	-	(328 )	-	(328 )
Other revenue	3,093	2,481	6,037	7,735
Total revenues	235,115	254,449	701,433	787,494
Losses and expenses:				
Losses incurred, net (note 12)	115,254	180,189	379,003	642,671
Change in premium deficiency reserve (note 13)	(6,744 )			