

MGIC INVESTMENT CORP
Form 10-Q
May 10, 2010

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

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

For the quarterly period ended March 31, 2010

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
(State or other jurisdiction of incorporation or organization)

39-1486475
(I.R.S. Employer Identification No.)

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

53202
(Zip Code)

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

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 ☒ T

NO ☐ o

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 ☐ o

No ☐ o

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 ☒ T

Accelerated filer ☐ o

Non-accelerated filer ☐ o

Smaller reporting company ☐ o

(Do not check if a smaller reporting company)

Edgar Filing: MGIC INVESTMENT CORP - Form 10-Q

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.

CLASS OF STOCK	PAR VALUE	DATE	NUMBER OF SHARES
Common stock	\$1.00	04/30/10	200,445,416

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

March 31, 2010 (Unaudited) and December 31, 2009

	March 31, 2010	December 31, 2009
(In thousands of dollars)		
ASSETS		
Investment portfolio (notes 7 and 8):		
Securities, available-for-sale, at fair value:		
Fixed maturities (amortized cost, 2010-\$7,301,464; 2009-\$7,091,840)	\$7,467,294	\$ 7,251,574
Equity securities (cost, 2010-\$2,922; 2009-\$2,892)	2,943	2,891
Total investment portfolio	7,470,237	7,254,465
Cash and cash equivalents	818,123	1,185,739
Accrued investment income	78,285	79,828
Reinsurance recoverable on loss reserves (note 4)	339,427	332,227
Prepaid reinsurance premiums	3,342	3,554
Premiums receivable	86,749	90,139
Home office and equipment, net	28,745	29,556
Deferred insurance policy acquisition costs	8,689	9,022
Income taxes recoverable (note 11)	266,905	275,187
Other assets	149,915	144,702
Total assets	\$9,250,417	\$ 9,404,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves (note 12)	\$6,648,106	\$ 6,704,990
Premium deficiency reserves (note 12)	179,620	193,186
Unearned premiums	265,052	280,738
Short- and long-term debt (note 2)	377,156	377,098
Convertible debentures (note 3)	297,321	291,785
Other liabilities	325,208	254,041
Total liabilities	8,092,463	8,101,838
Contingencies (note 5)		
Shareholders' equity:		
Common stock, \$1 par value, shares authorized 460,000,000; shares issued, 2010 - 130,163,060; 2009 - 130,163,060; shares outstanding, 2010 - 125,561,696; 2009 - 125,101,057	130,163	130,163
Paid-in capital	431,532	443,294
Treasury stock (shares at cost, 2010 - 4,601,364; 2009 - 5,062,003)	(222,894)	(269,738)
Accumulated other comprehensive income, net of tax (note 9)	79,945	74,155
Retained earnings	739,208	924,707

Total shareholders' equity	1,157,954	1,302,581
Total liabilities and shareholders' equity	\$9,250,417	\$ 9,404,419

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2010 and 2009
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(In thousands of dollars, except per share data)	
Revenues:		
Premiums written:		
Direct	\$275,134	\$377,954
Assumed	797	1,463
Ceded	(19,873)	(31,904)
Net premiums written	256,058	347,513
Decrease in unearned premiums, net	15,894	8,317
Net premiums earned	271,952	355,830
Investment income, net of expenses	68,859	77,173
Realized investment gains, net	32,954	8,441
Total other-than-temporary impairment losses	(6,052)	(25,702)
Portion of losses recognized in other comprehensive income, before taxes	-	-
Net impairment losses recognized in earnings	(6,052)	(25,702)
Other revenue	3,057	19,442
Total revenues	370,770	435,184
Losses and expenses:		
Losses incurred, net	454,511	757,893
Change in premium deficiency reserves (note 12)	(13,566)	(164,801)
Underwriting and other expenses, net	59,945	62,549
Reinsurance fee	-	26,407
Interest expense	21,018	23,926
Total losses and expenses	521,908	705,974
Loss before tax	(151,138)	(270,790)
Benefit from income taxes	(1,047)	(86,230)
Net loss	\$(150,091)	\$(184,560)
Loss per share (note 6):		
Basic	\$(1.20)	\$(1.49)
Diluted	\$(1.20)	\$(1.49)
Weighted average common shares outstanding - diluted (shares in thousands, note 6)	124,889	123,999

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Year Ended December 31, 2009 and Three Months Ended March 31, 2010 (unaudited)

	Common stock	Paid-in capital	Treasury stock (In thousands of dollars)	Accumulated other comprehensive income (loss)	Retained earnings	Comprehensive (loss) income
Balance, December 31, 2008	\$ 130,119	\$ 440,542	\$(276,873)	\$ (106,789)	\$ 2,247,234	
Net loss	-	-	-	-	(1,322,277)	\$ (1,322,277)
Change in unrealized investment gains and losses, net	-	-	-	154,358	-	154,358
Noncredit component of impairment losses, net	-	-	-	(1,764)	-	(1,764)
Common stock shares issued upon debt conversion	44	263	-	-	-	
Reissuance of treasury stock, net	-	(11,613)	7,135	-	(545)	
Equity compensation	-	14,102	-	-	-	
Defined benefit plan adjustments, net	-	-	-	10,704	-	10,704
Unrealized foreign currency translation adjustment	-	-	-	17,646	-	17,646
Other	-	-	-	-	295	
Comprehensive loss	-	-	-	-	-	\$ (1,141,333)
Balance, December 31, 2009	\$ 130,163	\$ 443,294	\$(269,738)	\$ 74,155	\$ 924,707	
Net loss	-	-	-	-	(150,091)	\$ (150,091)
Change in unrealized investment gains and losses, net	-	-	-	6,206	-	6,206
Reissuance of treasury stock, net	-	(14,148)	46,844	-	(35,408)	
Equity compensation	-	2,386	-	-	-	
Unrealized foreign currency translation adjustment	-	-	-	(416)	-	(416)
Comprehensive loss (note 9)	-	-	-	-	-	\$ (144,301)
Balance, March 31, 2010	\$ 130,163	\$ 431,532	\$(222,894)	\$ 79,945	\$ 739,208	

See accompanying notes to consolidated financial statements

