

MGIC INVESTMENT CORP
Form 10-Q
August 10, 2015

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 June 30, 2015

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.)

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

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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	07/31/15	339,638,670

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
(Unaudited)

	June 30, 2015	December 31, 2014
	(In thousands)	
<u>ASSETS</u>		
Investment Portfolio (notes 7 and 8):		
Securities, available-for-sale, at fair value:		
Fixed maturities (amortized cost, 2015 - \$4,586,317; 2014 - \$4,602,514)	\$4,549,047	\$4,609,614
Equity securities	3,063	3,055
Total investment portfolio	4,552,110	4,612,669
Cash and cash equivalents	215,770	197,882
Restricted cash and cash equivalents (note 1)	-	17,212
Accrued investment income	34,561	30,518
Prepaid reinsurance premiums	58,085	47,623
Reinsurance recoverable on loss reserves	53,456	57,841
Reinsurance recoverable on paid losses	5,918	6,424
Premiums receivable	52,468	57,442
Home office and equipment, net	28,925	28,693
Deferred insurance policy acquisition costs	14,160	12,240
Profit commission receivable (note 4)	142,457	91,500
Other assets	88,872	106,390
Total assets	\$5,246,782	\$5,266,434
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Liabilities:		
Loss reserves (note 12)	\$2,110,761	\$2,396,807
Premium deficiency reserve (note 13)	-	23,751
Unearned premiums	244,288	203,414
Senior notes (note 3)	61,941	61,918
Convertible senior notes (note 3)	845,000	845,000
Convertible junior debentures (note 3)	389,522	389,522
Other liabilities	356,986	309,119
Total liabilities	4,008,498	4,229,531
Contingencies (note 5)		
Shareholders' equity (note 14):		
Common stock (one dollar par value, shares authorized 1,000,000; shares issued 2015 - 340,079; 2014 - 340,047; shares outstanding 2015 - 339,639; 2014 - 338,560)	340,079	340,047
Paid-in capital	1,664,931	1,663,592
Treasury stock (shares at cost 2015 - 440; 2014 - 1,487)	(3,362)	(32,937)
Accumulated other comprehensive loss, net of tax (note 9)	(128,140)	(81,341)
Retained deficit	(635,224)	(852,458)
Total shareholders' equity	1,238,284	1,036,903
Total liabilities and shareholders' equity	\$5,246,782	\$5,266,434

See accompanying notes to consolidated financial statements.

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MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In thousands, except per share data)			
Revenues:				
Premiums written:				
Direct	\$261,404	\$241,249	\$526,816	\$485,438
Assumed	308	430	646	881
Ceded (note 4)	(34,937)	(28,294)	(66,231)	(54,914)
Net premiums written	226,775	213,385	461,231	431,405
Increase in unearned premiums, net	(13,267)	(5,899)	(30,435)	(9,658)
Net premiums earned	213,508	207,486	430,796	421,747
Investment income, net of expenses	25,756	21,180	49,876	41,336
Net realized investment gains (losses):				
Total other-than-temporary impairment losses	-	-	-	-
Portion of losses recognized in comprehensive income, before taxes	-	-	-	-
Net impairment losses recognized in earnings	-	-	-	-
Other realized investment gains	166	522	26,493	291
Net realized investment gains	166	522	26,493	291
Other revenue	3,699	2,048	6,179	2,944
Total revenues	243,129	231,236	513,344	466,318
Losses and expenses:				
Losses incurred, net (note 12)	90,238	141,141	172,023	263,749
Change in premium deficiency reserve (note 13)	(17,333)	(7,833)		