Report

of the

Examination of

MGIC Indemnity Corporation

Milwaukee, Wisconsin

As of December 31, 2016

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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January 11, 2018

Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

MGIC INDEMNITY CORPORATION
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of MGIC Indemnity Corporation (hereinafter also Old MGIC, MIC or the company) was conducted in 2012 and 2013 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the Financial Data section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance (hereinafter also, the OCI). The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

MGIC Indemnity Corporation was incorporated November 14, 1956, under the name Mortgage Guaranty Insurance Corporation, and commenced operations in March, 1957, to insure financial institutions from losses on conventional residential mortgage loans. Old MGIC pioneered the revival of the mortgage guaranty line of business, since the earlier mortgage guaranty insurance industry had collapsed during the Great Depression. Old MGIC was privately held until 1960, at which time its common capital stock became publicly traded. In 1968, the former holding company, MGIC Investment Corporation (hereinafter also Old MGIC Investment, the pre-February 28, 1985, MGIC Investment Corporation) was established. Old MGIC became a subsidiary of Old MGIC Investment, and Old MGIC Investment became a publicly traded company.

Ownership and control of Old MGIC Investment and its subsidiaries, including Old MGIC, was acquired by Baldwin-United Corporation (hereinafter also Baldwin) effective March 9, 1982. The Baldwin enterprise became financially impaired in 1983 due to the holding company's excessive debt obligations, and Baldwin filed a petition for voluntary reorganization under Chapter 11 of the Federal Bankruptcy Code on September 26, 1983.

A 1984 financial examination of the Old MGIC insurers determined that the companies were financially sound but that their ability to compete in their markets had been severely damaged by their affiliation with the financially impaired Baldwin. An Agreement and Plan of Acquisition and Assumption (hereinafter also the Plan) was approved by the Commissioner in November 1984, whereby Mortgage Guaranty Insurance Corporation, then known as Liberty Mortgage Insurance Corporation (hereinafter also MGIC), held by a holding company owned by The Northwestern Mutual Life Insurance Company and senior executives of Old MGIC Investment, acquired from Old MGIC Investment the right to carry on Old MGIC's insurance business, the rights to the name "Mortgage Guaranty Insurance Corporation," and the employees and operating assets of Old MGIC. As a part of the approved agreement, Old MGIC's remaining in-force renewal policies (the Old Book business) entered into run-off and Old MGIC's net retained liabilities for existing insurance risks were 100% reinsured under quota share reinsurance treaties with a group of international reinsurers.

The 1984 Plan was closed effective February 28, 1985, and Old MGIC's name was changed to Wisconsin Mortgage Assurance Corporation. Effective March 1, 1985, Liberty Mortgage Insurance Corporation's name changed to Mortgage Guaranty Insurance Corporation (the present-day MGIC), and the new MGIC continued the ongoing operations that were formerly in Old MGIC. Old MGIC was placed into liquidation upon the Plan closing date. The Old MGIC liquidation proceedings included the following provisions:

1. Old MGIC no longer wrote new business, but its Old Book insurance in-force, insurance policies non-cancelable by the company and renewable by its insureds, continued in force, with the company's net retained liabilities 100% ceded through quota share reinsurance treaties;

2. Old MGIC's contingency reserve requirement was waived by the Commissioner as a result of the 100% quota share reinsurance becoming effective. Substantially all of Old MGIC's remaining assets, after payments related to the quota share reinsurance treaties, were distributed to its parent, Baldwin, for distribution to Baldwin's creditors;

3. The quota share reinsurance became the primary source of payments for claims incurred on Old MGIC's in-force business; and

4. The new writer of insurance, MGIC, became the manager of Old MGIC's reinsured business, responsible to Old MGIC and its reinsurers for administration of Old MGIC's insurance in-force.

Old MGIC was financially solvent at the commencement of liquidation proceedings and has never been financially impaired. The liquidation proceeding became the method by which the interests of Old MGIC policyholders as of February 28, 1985, could be protected from the bankruptcy of Baldwin through an orderly runoff of Old MGIC's Old Book and was the method whereby the successful ongoing business of Old MGIC could be disassociated from the Baldwin bankruptcy and continue in the successor MGIC legal entity. Since 1985, Old MGIC's Old Book claims have been paid in full by Old MGIC or its reinsurers, and the Old Book insurance in-force has gradually diminished by orderly runoff.

In December 1998, Mortgage Guaranty Insurance Corporation acquired ownership of Old MGIC through the purchase of Old MGIC's common capital stock. A rehabilitation plan providing for the acquisition of Old MGIC by MGIC was approved by the liquidation court and the Commissioner and effective December 22, 1998, Old MGIC's liquidation proceedings were terminated and the company became subject to rehabilitation proceedings supervised by the Commissioner. On December 31, 1998, pursuant to the plan of rehabilitation, MGIC acquired 100% of Old MGIC's common capital stock for the purchase price of $2 million, Old MGIC became a wholly owned subsidiary of MGIC, and the Old MGIC rehabilitation proceedings were terminated. Immediately upon the close of MGIC's purchase transaction, MGIC contributed capital of $13 million to Old MGIC to provide the company with capital in excess of Wisconsin's minimum requirements for the company. The name of the company was changed to MGIC Indemnity Corporation effective June 1, 2000.

The insured lender of a given mortgage loan insured within the Old Book may continue insurance coverages through successive policy renewals so long as the underlying mortgage loan is outstanding. The company's Old Book has decreased significantly as insured mortgage loans are satisfied through maturity, refinance, or repayment, or the respective insurance policies are terminated by insureds.

MIC's reinsurance treaties with MGIC for the Old Book business remain in effect as of December 31, 2016. MGIC remains the manager of the company's 100% quota share reinsured business and continues in its capacity as reinsurer on the business. Further comment on the company's reinsurance program is included in this report in the section captioned "Reinsurance."

While, officially, the worst economic decline in the United States since the Great Depression began in December of 2007 and ended in June of 2009, the United States suffered from historically high levels of mortgage foreclosures and declining home prices from 2007 until 2013, which affected both the number and severity of mortgage guaranty claims. Significant declines in housing values, sub-prime and low documentation lending practices and high unemployment led to record levels of delinquencies and foreclosures during this period, which severely challenged the industry. One of the major challenges facing U.S. mortgage insurers was to ensure enough capital resources to not only meet current and future claim obligations, but also meet capital requirements of the states and other U.S. jurisdictions and the government-sponsored enterprises (hereinafter also GSEs), Federal National Mortgage Association (hereinafter also Fannie Mae) and Federal Home Loan Mortgage Corporation (hereinafter also Freddie Mac), to write new business.

As a result of the downturn in the U.S. economy and housing market, MGIC saw its delinquency inventory increase to record levels, which in turn placed strains on its capital position. Because of substantial uncertainty regarding the level of future losses there were concerns that MGIC's capital position would decline to a level where the company would not comply with minimum capital requirements to write new business in certain jurisdictions. In light of these circumstances, MGIC management proposed to this office a reactivation plan of MGIC Indemnity Corporation, which included the following actions:

- MGIC would contribute capital of $1 billion to MIC in the form of a $500 million contribution in July 2009 and, subject to OCI's further approval, a contribution of up to an additional $500 million in January of 2011.
- MIC would take the actions necessary to meet the regulatory and business conditions for new business, including reinsurance with its subsidiary and a subsidiary of MGIC, but only as required by the laws of states where MIC will be licensed.
- MIC would begin to write business in place of MGIC based on the capital contribution made by MGIC.
- MIC would use the employees, information services, finance, claims, risk management and other systems, offices and business infrastructure of MGIC to conduct and support MIC's operations.
- MGIC would cease writing new business.

The reactivation plan was non-disapproved by this office in conjunction with the issuance of the Stipulation and Order in the Matter of Case No. 09-C32277 dated July 15, 2009, placed on MGIC and the company. This Stipulation and Order established additional requirements on MIC to enhance this office's ability to monitor the implementation of the reactivation plan and to take action to ensure that MIC's surplus remains reasonable in relation to its outstanding liabilities and adequate to its financial needs in the implementation and continuation of its reactivation plan.

On July 17, 2009, Freddie Mac issued a decision to give MIC the status of an "Approved Insurer," subject to certain conditions. The conditions caused some minor conflicts with the original reactivation plan and resulted in MGIC filing an amendment to the plan. The amendment to the plan was non-disapproved by this office on July 31, 2009.

On October 14, 2009, Fannie Mae gave MIC conditional approval as a direct issuer of mortgage guaranty insurance policies under its Qualified Mortgage Insurer Approval Requirements, which conditions were markedly incompatible with the reactivation plan developed through the efforts of MGIC, this office, and the law firm and investment banking firm under contract with this office. In response, MGIC filed a second amendment to the reactivation plan for its subsidiary MIC.

- MGIC was to contribute capital of $200 million to MIC on October 21, 2009.
- Subject to this office permitting MGIC to continue to write in jurisdictions in which MGIC did not comply with applicable capital requirements, and if MGIC determined that it would not comply with a jurisdiction's applicable capital requirements, MGIC would seek from that state a waiver of its applicable capital requirements to the extent that such waiver was allowed. In the event that such waiver was not allowed or was not obtained by MGIC, or if such waiver included conditions that differ substantially from the terms and conditions of the stipulation and order issued by the OCI and MGIC considered them to be burdensome, MGIC would seek the licensing or reactivation of MIC in such jurisdiction to replace MGIC as the writer of mortgage guaranty insurance in that jurisdiction. The conditional approval of Fannie Mae authorized MIC to write in the place of MGIC only in the following 16 jurisdictions: Arizona, California, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Missouri, New York, New Jersey, North Carolina, Ohio, Oregon, Puerto Rico, and Texas. These jurisdictions, together with Wisconsin, are distinguished by having specific minimum policyholders' position requirements or risk-to-capital requirements.
- MIC would take the actions necessary to meet the regulatory and business conditions for writing in every jurisdiction in which Fannie Mae's conditional approval would permit them to write business.
- MIC would begin to write insurance in place of MGIC in those jurisdictions that cannot or will not issue a waiver of applicable capital requirements.
- MGIC would cease writing insurance in any jurisdiction once MIC begins to write insurance in that jurisdiction.
- MIC would use the employees, information services, finance, claims, risk management and other systems, offices and business infrastructure of MGIC to conduct and support MIC's operations.

This office did not disapprove the second amendment to the reactivation plan, since Fannie Mae's approval for MIC to act as an eligible insurer of mortgages purchased by Fannie Mae was a practical necessity for the success of the reactivation plan, given Fannie Mae's dominant position in the secondary market for mortgages in the U.S. One of the requirements in Fannie Mae's conditional approval was that MGIC would request from the Commissioner that MIC's risk to capital ratio not be restricted beyond the minimum policyholder position requirements under Wisconsin Statutes or the Wisconsin Administrative Code. As a result, this office modified the Stipulation and Order No. 09-C32277 to rescind provisions relating to MIC's minimum policyholders position requirements being stricter than the standard requirement under s. Ins 3.09 (5), Wis. Adm. Code.

MIC resumed the writing of new business in accordance with its business plan from August 2012 to August 2013, in jurisdictions that were unable or unwilling to grant MGIC a waiver of its minimum capital requirements when it breached the 25 to 1 risk-to-capital standard and the comparable requirements of the minimum policyholders' position, as of June 30, 2012. MIC made its last new commitments for mortgage insurance on July 1, 2013. Thereafter, MGIC resumed its status as the sole direct writer of new business in the MGIC Group. Since 2013, MIC has been in runoff.

The company is currently licensed to write mortgage guaranty insurance in all U.S. states, the District of Columbia and Puerto Rico. In 2016, the company wrote direct premium in the following states:

Ohio	$ 3,197,635	23.9%
Florida	2,274,849	17.0
New York	1,869,226	14.0
New Jersey	1,600,326	12.0
Texas	1,170,344	8.8
North Carolina	1,102,423	8.3
All others	2,144,890	16.0
Total	$13,359,693	100.0%

Effective July 15, 2013, the OCI approved a limited exemption from s. Ins 6.20 (8) (k), Wis. Adm. Code, whereby MIC and certain other named insurance affiliates may invest up to 30% of admitted assets in U.S. dollar denominated debt securities issued by non-U.S. and Canadian corporate and sovereign obligors. This limited exemption will continue until the earlier of (i) December 31, 2020, or (ii) rescission of this exemption by the OCI with notice to the company. This exemption was and continues to be given because MIC and its affiliates demonstrated to the OCI's satisfaction that the 2% of admitted assets limitation on loans, securities, and investments in countries other than the United States and Canada established by s. Ins 6.20 (8) (k), Wis. Adm. Code, inhibits portfolio diversification across an optimal mix of highly rated corporate bonds within the context of these insurers' circumstances and the options available in the capital markets. In the exercise of its own judgement and without any consultation with the OCI, the New York Department of Insurance, since reorganized into the New York Department of Financial Services, limited the company's investment in U.S. dollar denominated debt securities issued by non-U.S. and Canadian corporate and sovereign obligors to 10% of admitted assets.

On November 27, 2013, the OCI approved the company's use of a table of factors for unearned premium to allow premium to be earned monthly for all borrower paid single premium policies, as opposed to the annual premium period tables set forth in s. Ins 3.09 (13) (b), Wis. Adm. Code. In arriving at the monthly factors, the tables in s. Ins 3.09 (13) (b), Wis. Adm. Code, were utilized to achieve the required unearned premium factor for each annual valuation date within the table. This approved table is intended to allow single premiums collected on borrower paid single premium policies to be earned over the period in which the mortgage loan amortizes to a loan-to-value ratio of approximately 78%, based on the original amortization schedule, which is the point at which coverage terminates automatically under the Homeowners Protection Act of 1998 in most circumstances.

MGIC Indemnity Corporation is a member of a holding company system, and ultimate ownership and control of the company is held by MGIC Investment Corporation (the present-day MGIC Investment). MIC does not have any employees, and all of its day-to-day business operations are performed by MGIC pursuant to an intercompany shared resources agreement. Further discussion of the MGIC Investment Corporation holding company system, description of MIC's significant affiliates, and description of the company's intercompany agreements are included in the section of this report captioned "Affiliated Companies."

The following table is a summary of the net insurance premiums written by the company in 2016. The growth of the company is discussed in the Financial Data section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Mortgage guaranty	$13,359,693	$0	$3,399,900	$9,959,793
Total All Lines	$13,359,693	$0	$3,399,900	$9,959,793

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of seven members, each of whom is an officer of the company or its affiliates. The directors are elected at the annual shareholder's meeting to serve a one-year term. Officers are elected at board meetings and are to hold those positions until the earlier of their resignation or removal by the board of directors. Each member of the company's board of directors also serves as a member of other boards of directors in the holding company group and receives no specific compensation for services performed as a director of the company.

As of December 31, 2016, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expiry
Patrick Sinks Racine, Wisconsin	Chairman, President and Chief Executive Officer Mortgage Guaranty Insurance Corporation	2017
Heidi A. Heyrman Pewaukee, Wisconsin	Vice President – Regulatory Relations, Assistant General Counsel and Assistant Secretary Mortgage Guaranty Insurance Corporation	2017
Jeffrey H. Lane Mequon, Wisconsin	Executive Vice President, General Counsel and Secretary Mortgage Guaranty Insurance Corporation	2017
Stephen C. Mackey Mequon, Wisconsin	Executive Vice President – Chief Risk Officer Mortgage Guaranty Insurance Corporation	2017
Timothy J. Mattke Whitefish Bay, Wisconsin	Executive Vice President and Chief Financial Officer Mortgage Guaranty Insurance Corporation	2017
Lisa M. Pendergast Cedarburg, Wisconsin	Vice President and Treasurer Mortgage Guaranty Insurance Corporation	2017
Julie K. Sperber Waukesha, Wisconsin	Vice President and Controller Mortgage Guaranty Insurance Corporation	2017

Officers of the Company

The officers serving as of December 31, 2016 were as follows:

Officer	Office	2016 Compensation*
Patrick Sinks	President and Chief Executive Officer	$0
Timothy J. Mattke	Executive Vice President and Chief Financial Officer	0
Jeffrey H. Lane	Executive Vice President, General Counsel and Secretary	0
Stephen C. Mackey	Executive Vice President – Chief Risk Officer	0
Julie K. Sperber	Vice President and Controller	0

* No executive compensation expense was allocated to the company by the holding company system for 2016.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The two committees at the time of the examination are listed below:

Risk Management Committee
Patrick Sinks, Chair
Timothy J. Mattke
Stephen C. Mackey

Securities Investment Committee
Timothy J. Mattke, Chair
Heidi A. Heyrman
Lisa M. Pendergast

IV. AFFILIATED COMPANIES

MGIC Indemnity Corporation is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. This report will confine its discussion of specific affiliates of the company to parents in the direct succession of control of the company and affiliates with which the company has significant contractual relationships.

Organizational Chart
As of December 31, 2016

- MGIC Investment Corporation
  - Mortgage Guaranty Insurance Corporation
    - MGICA PTY Limited
      - MGIC Australia PTY Limited
    - MGIC Indemnity Corporation
    - MGIC Credit Assurance Corporation
    - MGIC Reinsurance Corporation of Wisconsin
      - MGIC Mortgage and Consumer Asset II, LLC (Note #1)
    - MGIC Assurance Corporation
    - MGIC Reinsurance Corporation of Vermont
    - MGIC Mortgage and Consumer Asset I, LLC (Note #1)
      - CMI Investors LP 2 (99.02% ownership interest)
      - CMI Investors LP 5 (99.02% ownership interest)
      - CMI Investors LP 8 (99.02% ownership interest)
      - CMI Investors LP 9 (99.02% ownership interest)
  - MGIC Insurance Services Corporation
  - MGIC Investor Services Corporation
    - MGIC Mortgage Services, LLC

Note # 1: MGIC Mortgage and Consumer Asset II, LLC, holds a 0.98% ownership interest in CMI Investors LPs; the remaining 99.02% interest is held in MGIC Mortgage and Consumer Asset I, LLC.

MGIC Investment Corporation

MGIC Investment Corporation was incorporated in Wisconsin on June 22, 1984, under the name Management Financing Corporation. MGIC Investment was established as a holding company to consolidate the ownership and capitalization of the legal entities within the MGIC enterprise. The initial capital funding of Management Financing Corporation was provided by The Northwestern Mutual Life Insurance Company and by senior executive officers of MGIC. The holding company name was changed to MGIC Investment Corporation effective March 1, 1985. An initial public offering of MGIC Investment common capital stock was completed in August of 1991, and a second public offering was completed in June 1992. The issued and outstanding shares of MGIC Investment's common capital stock are traded on the New York Stock Exchange under the ticker symbol MTG.

The MGIC enterprise is principally engaged in writing mortgage guaranty insurance on residential mortgage loans. MGIC Investment Corporation's insurance subsidiaries provide mortgage guaranty insurance to mortgage lenders, and its non-insurance operating subsidiaries provide various services to the mortgage finance industry, including contract underwriting, analysis of loan originations and portfolios and mortgage lead generation.

As of December 31, 2016, MGIC Investment's consolidated GAAP basis audited financial statements reported total assets of $5,734,529,000, total liabilities of $3,185,687,000, and total shareholders' equity of $2,548,842,000. Operations for 2016 produced a net income of $342,517,000.

Mortgage Guaranty Insurance Corporation

MGIC was incorporated under the laws of Wisconsin on February 20, 1979, as Liberty Mortgage Insurance Corporation (LMIC). LMIC was originally owned by Verex Corporation and was acquired by MGIC Investment Corporation in November 1984. The name Liberty Mortgage Insurance Corporation was changed to Mortgage Guaranty Insurance Corporation on March 1, 1985, when MGIC began writing new business.

MGIC provides residential mortgage guaranty insurance in all 50 U.S. states, the District of Columbia, Guam, and Puerto Rico. MGIC serves as the lead operating company in the MGIC Group and provides administrative and managerial services to its affiliates. MGIC's direct and indirect costs incurred in providing services to its affiliates are allocated to the respective affiliates pursuant to intercompany agreements. As of December 31, 2016, MGIC's statutory financial statements reported total admitted assets of $4,475,661,514, total liabilities of $2,970,932,327, and policyholders' surplus of $1,504,729,187. Operations for 2016 produced a net income of $68,340,157. MGIC was examined concurrently with MIC as of December 31, 2016, and the results of that examination were expressed in a separate report.

Written Agreements with Affiliates

In addition to common staffing and management control, MIC's relationship to its affiliates is affected by various written agreements and undertakings. A brief summary of these agreements follows, arranged by effective date.

Tax Sharing Agreement

Effective January 22, 1986, MGIC Investment Corporation entered into a tax-sharing agreement with MIC and specified affiliates of the MGIC Group that qualify for inclusion in such an agreement under the Internal Revenue Code. The agreement has been amended a number of times to add or delete the participation of applicable affiliated entities, and currently provides that each of the Wisconsin-domiciled MGIC insurers is a participant in the agreement. Under this agreement, MGIC Investment Corporation files a consolidated U.S. Federal Income Tax Return that includes MIC and other affiliates of the holding company group.

The agreement sets forth the rights and obligations of the parties to the agreement with respect to the determination and settlement of federal income tax liabilities as well as the allocation of the MGIC Group's consolidated U.S. federal income tax liability in accordance with a rational, systematic formula. The agreement provides for computation of tax, settlement of balances between affiliates, tax-sharing, filing the return, audits and other adjustments, dispute resolution and other administrative requirements. The agreement calls for the prompt settlement of estimated federal tax payments and final year-end calculated adjusted payments on the notified due dates.

Indemnity Agreement

Effective September 1, 2000, an Indemnity Agreement was established between MGIC and MGIC Indemnity Corporation to facilitate the withdrawal of MIC from the state of New York. The agreement pertains solely to MIC's liabilities in the state of New York for Old MGIC's runoff mortgage guaranty insurance policies written prior to February 28, 1985, including primary insurance issued under master policies on individual mortgage loans and pool insurance issued under mortgage trust supplemental or pool policies. Pursuant to the agreement, MGIC agrees to pay any Old MGIC insured located in New York all of Old MGIC's obligations at any time in the event that Old MGIC has failed to pay any amount due to the insured under Old MGIC's outstanding policies. Each Old MGIC insured shall have privity with, direct right of action against, and the right to file claims directly with MGIC to pay Old MGIC's obligations after Old MGIC has failed to pay. Under the agreement, MGIC issued an endorsement as required by applicable law to advise insureds of MGIC's indemnity agreement for Old MGIC business, and MGIC issued an undertaking to governmental agencies in New York for payment of taxes and other liabilities of MIC to such agencies. Under the agreement, MGIC is entitled to recover from MIC the amount paid by MGIC in payment of Old MGIC obligations as a result of this agreement. The agreement will remain in effect for so long as any of Old MGIC's policies remain outstanding and in force.

Shared Resources Agreement

In preparation for the reactivation business plan for MGIC Indemnity Corporation, discussed earlier in this report, Mortgage Guaranty Insurance Corporation and MIC entered into a shared resources agreement on March 11, 2010. It provides that in the event that MIC begins writing direct mortgage guaranty insurance business, the date on which MIC issues its first policy will be the effective date of this agreement. Under this agreement, services provided by MGIC include provision of office space and employees; administration of underwriting, risk management and claims; performance as agent for funds collection and disbursement; maintenance of investment portfolios and execution of investment transactions; maintenance of depository accounts; maintenance of books and records including financial records; and the preparation and delivery of reports, tax returns, and documents and filings, as required. In consideration of the services provided to MIC under this agreement, MIC shall pay to MGIC, on a monthly basis, 20% of the premiums written by MIC during the calendar month, which is subject to an adjustment for estimated actual cost performed at the end of each calendar year.

V. REINSURANCE

At the time of this examination, MGIC Indemnity Corporation's active reinsurance portfolio encompasses three major components, (i) Old Book reinsurance on risks written on or before February 28, 1985; (ii) quota share treaty with nonaffiliated reinsurers on business written after the company reactivated in August 2012 and (iii) an affiliated ceding treaty on business written after the company reactivated in August 2012. MIC also entered into a captive ceding reinsurance treaty effective August 1, 2012, with its affiliate, MGIC Reinsurance Corporation of Vermont, but it has never ceded any business under this or any other captive reinsurance arrangement. The company's reinsurance contracts contained proper insolvency provisions. A description of the company's active and inactive reinsurance portfolio is summarized as follows.

Old Book Reinsurance

The company's Old Book business has been in run-off since March 1, 1985. The Old Book includes the business of Old MGIC and two of its former subsidiaries, companies then known as MGIC Reinsurance Corporation (Old MGIC Re) and MGIC Assurance Corporation (Old MAC), as of the February 28, 1985, Old MGIC liquidation proceedings.

Effective February 28, 1985, pursuant to the 1985 Old MGIC liquidation plan, Old MGIC Re and Old MAC merged into Old MGIC, Old MGIC's name was changed to Wisconsin Mortgage Assurance Corporation, and Old MGIC entered into liquidation. Old MGIC's name subsequently changed to MGIC Indemnity Corporation (MIC). Old Book business included various assuming and ceding contracts that Old MGIC, Old MGIC Re, and Old MAC had with various nonaffiliated U.S. and alien reinsurers. MIC subsequently commuted and terminated each of the former nonaffiliated Old Book treaties that existed with all of its U.S. reinsurers.

In the intervening period since 1985, through a series of assignment and assumption agreements, the reinsurers who participated in the 1985 quota share treaties subsequently assigned their rights and obligations under the quota share treaties to the insurer currently known as Mortgage Guaranty Insurance Corporation. Through these assumption and assignment agreements Mortgage Guaranty Insurance Corporation replaced all of the original quota share reinsurers and became the only reinsurer on the book of business, presently having a 100%

participation in the 100% quota share assumption of MIC's net retained liability on the Old Book business.

Nonaffiliated Ceding Contracts

Type:	Quota Share	
Reinsurers:	Partner Reinsurance Europe SE	33.0%
	Everest Reinsurance Company	24.0%
	Transatlantic Reinsurance Company	18.0%
	Renaissance Reinsurance Ltd.	11.5%
	Markel Global Reinsurance Company	9.0%
	Third Point Reinsurance Company Ltd.	4.5%
	Total	100.0%
Scope:	Approximately $30 billion of risk in force at July 1, 2015, including business from both MGIC and the company, which met certain eligibility criteria, plus new business written from July 1, 2015 through December 31, 2016 that meets certain eligibility criteria	
Retention:	70% of losses, loss adjustment expenses, extra contractual obligations, and excess limits liability under policies and certificates of insurance within the scope of this contract and 100% of any ex gratia payments In addition, for each accident year, the company shall retain 100% of losses, including loss adjustment expenses, extra contractual obligations, and excess limits liability, in excess of a 300% accident year loss ratio for that accident year.	
Coverage:	30% of losses, including loss adjustment expenses, extra contractual obligations, and excess limits liability, under policies and certificates of insurance within the scope of this contract If the aggregate loss ratio on covered policies and certificates of insurance exceeds 200% (the "Loss Limit"), then the Reinsurers' obligation with respect to losses shall be suspended until such time as the aggregate loss ratio falls below the Loss Limit (the "Suspension Period"), except that all losses incurred under covered policies and certificates of insurance for any accident year in excess of a 300% accident year loss ratio shall be excluded from the computation of the Loss Limit. The company shall continue to remit reinsurance premium to the Reinsurers during any Suspension Period. Upon the aggregate loss ratio falling below the Loss Limit prior to termination of the contract, the Reinsurers shall incur all losses incurred under the covered policies and certificates of insurance that fall below the Loss Limit, including all losses incurred prior to or during any Suspension Period, subject to the Loss Limit and the 300% accident year loss ratio cap.	
Premium:	30% of earned premium received on covered policies and certificates of insurance	

Ceding Commission:	20% of ceded earned premium received
Profit Commission:	100% of ceded premium received, net of ceded losses, ceding commission, and a 20% reinsurer margin
Effective date:	July 1, 2015
Termination:	This contract shall apply to all earned premium received on, and to all losses incurred under, covered policies until 11:59 p.m. (Central Standard Time) on December 31, 2024. The company may, subject to certain restrictions related to being current on payments due the Reinsurers and meeting the GSEs' Private Mortgage Insurer Eligibility Requirements, terminate this contract effective 11:59 p.m.(Central Standard Time) on December 31, 2018 with a termination fee of $14,625,000. The company may terminate this contract on a cut-off basis and without penalty with 30 days' written notice in the event that the company is unable to realize full financial statement credit, full credit under applicable regulatory requirements, or at least 90% of the full credit amount for reinsurance ceded under the GSEs' Private Mortgage Insurer Eligibility Requirements. Any Reinsurer may terminate with 30 days' written notice under circumstances of a change in control; if the company novates, transfers, or assigns the subject of this contract to an entity with which there was no corporate affiliation on the effective date; or upon the occurrence of certain events suggestive of financial distress.

Affiliated Ceding Contracts

Type:	Variable Rate Quota Share
Reinsured:	MGIC Indemnity Corporation
Reinsurer:	MGIC
Scope:	Policies in force prior to the effective date specified in Exhibit A of the contract. These are all of the policies under which new business was acquired from August 2012 to August 2013.
Retention:	25% of the unpaid principal balance of each mortgage loan insured under policies written by the Reinsured
Coverage:	The company participates on each policy at a rate related to the amount of coverage in excess of 25% of the original unpaid principal balance of each mortgage loan insured under policies written or assumed by the Reinsured. The cede rate is the net value of the amount of coverage provided as a percentage less 25%, divided by the amount of coverage provided, expressed as a percentage. For example, a policy providing 30% of coverage will have a cede rate of 16.67% [(30%-25%)/30%], and a pool policy providing 100% of coverage will have a cede rate of 75%

	[(100%-25%/100%]. Currently, coverage on all covered policies is 5% of the unpaid principal balance of each mortgage loan insured under policies written by the Reinsured. In the event of termination, unless otherwise agreed by the parties, the liability of the Reinsurer and Reinsured with respect to risk reinsured hereunder prior to the effective date of such termination shall continue on a runoff basis until the expiration, cancellation, or termination of each certificate or coverage document reinsured prior to termination.
Premium:	A percentage of company's premium written equal to the cede rate of coverage, less the ceding commission. Currently, the cede rate is 16.67% on all covered policies.
Commissions:	20% of reinsurance premiums paid by the company
Effective date:	December 31, 2016, at 11:59 p.m.
Termination:	Either party may terminate by providing 30 days' advance written notice, which termination shall be effective on the last day of the calendar quarter next following the calendar quarter during which such notice is given. Either party may terminate by providing 30 days' advance written notice in the event that the other party should at any time become insolvent, suffer any impairment of capital, go into or be placed in liquidation or rehabilitation, or has a receiver appointed.
Other:	The parties shall establish and maintain, in proportion to the particular risk or premium retained or assumed, all such reserves as may be required with respect to contingency reserves, claims, loss and loss adjustment expenses, unearned premium reserves, and the Reinsurer's Share under the GSEs Private Mortgage Insurer Eligibility Requirements.

Affiliated Captive Reinsurance

The company executed a reinsurance agreement with MGIC Reinsurance Corporation of Vermont (hereinafter also MRCV), effective August 1, 2012, whereby MRCV would assume mortgage guaranty risks on a quota share basis acting as a sponsored captive reinsurer under the MGIC Group's captive reinsurance program. Under a captive reinsurance arrangement, a portion of the mortgage guaranty insurance risk written by a primary mortgage insurer that pertains to loans originated or serviced by a particular mortgage lender or financial institution is transferred to a reinsurance company (a "captive reinsurer") that is owned or controlled by the loan originator or service institution. When MRCV is utilized as a captive reinsurer, rather than the lender establishing a separate regulated entity, the lender utilizes

MRCV to undertake reinsurance assumptions so as to participate in the profits that can potentially be realized from providing mortgage guaranty insurance on mortgage loans that are originated or serviced by the lender. Through MRCV, MIC would set up separate protected risk-sharing cells for individual lenders under this arrangement.

Mortgage lenders' interest in captive insurance was curtailed by the 2007-08 financial collapse. In 2008, MGIC voluntarily suspended most of its captive arrangements, including those conducted through MRCV, in response to market conditions and requests from the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. On March 19, 2013, MGIC agreed to a consent order with the U.S. Consumer Financial Protection Bureau, which was confirmed by a decision of the United States District Court for the Southern District of Florida on April 5, 2013, whereby, among other matters, MGIC agreed not to enter into any new captive mortgage guaranty reinsurance arrangements for a period of ten years. Comparable consent orders were also confirmed by the same court on the same date for competitors Genworth Mortgage Insurance Corporation, United Guaranty Corporation (on behalf of its insurance subsidiaries), and Radian Guaranty Inc. Accordingly, MIC has never ceded any business under this or any other captive arrangement.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2016, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the minimum policyholders position calculation.

MGIC Indemnity Corporation
Assets
As of December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$133,062,865	$	$133,062,865
Real estate:			
Properties held for sale	111,108		111,108
Cash, cash equivalents, and short-term investments	2,384,133		2,384,133
Investment income due and accrued	1,340,848		1,340,848
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	667,222		667,222
Reinsurance:			
Amounts recoverable from reinsurers	300,167		300,167
Current federal and foreign income tax recoverable and interest thereon	162,930		162,930
Net deferred tax asset	3,968,483	3,476,137	492,346
Receivable from parent, subsidiaries, and affiliates	1,401,335		1,401,335
Write-ins for other than invested assets:			
Miscellaneous receivables	91,619		91,619
Total Assets	$143,490,710	$3,476,137	$140,014,573

MGIC Indemnity Corporation
Liabilities, Surplus, and Other Funds
As of December 31, 2016

Losses		$ 2,150,283
Loss adjustment expenses		47,284
Unearned premiums		3,158,385
Ceded reinsurance premiums payable (net of ceding commissions)		340,450
Write-ins for liabilities:		
Contingency reserve		44,393,517
Total Liabilities		50,089,919
Common capital stock	$ 3,588,000	
Gross paid in and contributed surplus	98,225,792	
Unassigned funds (surplus)	(11,889,138)	
Surplus as Regards Policyholders		89,924,654
Total Liabilities and Surplus		$140,014,573

MGIC Indemnity Corporation
Summary of Operations
For the Year 2016

Underwriting Income		
Premiums earned		$11,390,821
Deductions:		
Losses incurred	$ 394,589	
Loss adjustment expenses incurred	13,939	
Other underwriting expenses incurred	1,929,029	
Write-ins for underwriting deductions:		
Contingency reserve contributions	7,334,321	
Contingency reserve transfer due to Assumption and Novation Agreement	3,336,511	
120 month release of contingency reserve	(15,499)	
Total underwriting deductions		12,992,890
Net underwriting gain (loss)		(1,602,069)
Investment Income		
Net investment income earned	4,932,293	
Net realized capital gains (losses)	(33,142)	
Net investment gain (loss)		4,899,151
Other Income		
Net gain (loss) from agents' or premium balances charged off	5,459	
Total other income		5,459
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		3,302,541
Dividends to policyholders		0
Net income (loss) after dividends to policyholders and before federal and foreign income taxes		3,302,541
Federal and foreign income taxes incurred		1,774,006
Net Income		$ 1,528,535

MGIC Indemnity Corporation
Cash Flow
For the Year 2016

Premiums collected net of reinsurance			$ 9,790,585
Net investment income			6,363,938
Miscellaneous income			5,459
Total			16,159,982
Benefit and loss related payments		$ 577,659	
Commissions, expenses paid, and aggregate write-ins for deductions		2,022,317	
Federal and foreign income taxes paid (recovered)		1,234,717	
Total deductions			3,834,693
Net cash from operations			12,325,289
Proceeds from investments sold, matured, or repaid:			
Bonds	$19,070,286		
Stocks	4,999,614		
Net gains (losses) on cash, cash equivalents, and short-term investments	2		
Total investment proceeds		24,069,902	
Cost of investments acquired (long-term only):			
Bonds	30,757,388		
Real estate	111,108		
Total investments acquired		30,868,496	
Net cash from investments			(6,798,594)
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(6,185,466)	
Net cash from financing and miscellaneous sources			(6,185,466)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(658,771)
Cash, cash equivalents, and short-term investments:			
Beginning of year			3,042,904
End of year			$ 2,384,133

MGIC Indemnity Corporation
Minimum Policyholders Position Calculation
December 31, 2016

Surplus as regards policyholders		$89,924,654	
Contingency reserve		44,393,517	
Total policyholders position			$134,318,171
Net minimum policyholders position:			
Individual loans:			
Loan-to-value more than 75%	$15,499,786		
Total individual loans		15,499,786	
Deduction of individual or group loans for which the insurer has established a loss and LAE reserve greater than or equal to the minimum policyholders position for said loan		135,697	
Total minimum policyholders position			15,364,089*
Excess of total policyholders position over minimum policyholders position			$118,954,082

* Under the Stipulation and Order in the Matter of Case No. 09-C31985 by Wisconsin's Office of the Commissioner of Insurance dated March 11, 2009, certain members of the MGIC Group, including the company, are to exclude from their policyholders position calculations individual or group loans in default for which the companies have established a loss and loss adjustment expense reserve greater than or equal to the policyholders position for each of the loans. For those loans for which the loss and loss adjustment expense reserves established by the companies are less than their policyholders positions as provided by s. Ins 3.09 (5), Wis. Adm. Code, the companies are not to exclude policyholders positions for such loans from their calculations of minimum policyholders position, but rather add the loss and loss adjustment expense reserves for such loans to their policyholders position. The intent of this Stipulation and Order is to account fairly for the effect of loss and loss adjustment expense reserves on the evaluation of the company's capital requirements relative to risk in-force. This change to the Policyholders Position Calculation is consistent with the approach taken by other domiciliary commissioners of mortgage guaranty insurers.

MGIC Indemnity Corporation
Analysis of Surplus
For the Five-Year Period Ending December 31, 2016

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2016	2015	2014	2013	2012
Surplus, beginning of year	$91,023,814	$469,189,029	$458,072,771	$448,340,345	$234,498,521
Net income	1,528,535	6,839,500	11,091,104	9,506,737	12,983,886
Change in net unrealized capital gains/losses	(678,581)	293,686	231,298	130,657	(15,002)
Change in net deferred income tax	1,527,023	1,701,599	(206,144)	95,032	872,940
Change in non-admitted assets	(3,476,137)				
Surplus adjustments: Paid in		(387,000,000)			200,000,000
Surplus, end of year	$89,924,654	$91,023,814	$469,189,029	$458,072,771	$448,340,345

MGIC Indemnity Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2016

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2016	2015	2014	2013	2012
#1	Gross Premium to Surplus	15%	19%	5%	6%	2%
#2	Net Premium to Surplus	11	18	3	5	2
#3	Change in Net Premiums Written	(39)*	0	(24)	188*	2,698,826*
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	50	21	20	0	0
#6	Investment Yield	3.7	3.5	2.2*	2.1*	3.4
#7	Gross Change in Surplus	(1)	(81)*	2	2	91*
#8	Change in Adjusted Surplus	(1)	2	2	2	6
#9	Liabilities to Liquid Assets	37	36	6	5	2
#10	Agents' Balances to Surplus	1	1	0	0	0
#11	One-Year Reserve Development to Surplus	0	0	0	0	0
#12	Two-Year Reserve Development to Surplus	0	0	0	0	0
#13	Estimated Current Reserve Deficiency to Surplus	(2)	(2)	0	0	0

Ratio No. 3, "Change in Net Premiums Written", was exceptional in 2012, 2013, and 2016. The exceptional results in 2012 and 2013 were due to the company's resumption of new business from August 2012 to August 2013 in jurisdictions that were unable or unwilling to grant MGIC a waiver of its minimum capital requirements, when it breached the 25 to 1 risk-to-capital standard and the comparable requirements of the minimum policyholders position as of June 30, 2012. Net premiums written increased from $275 in 2011 to $7,422,047 in 2012 and to $21,389,564 in 2013. The last new commitments for mortgage insurance were made on July 1, 2013. Thereafter, MGIC resumed its status as the sole direct writer of new business in the MGIC Group. Since 2013, net premiums written declined as the business has runoff. The exceptional result in 2016 was due to this runoff, together with the strong recovery in housing prices in most of the United States, which has allowed borrowers to achieve sufficient equity to cancel their mortgage insurance more quickly than otherwise would have been the case.

Ratio No. 6, “Investment Yield,” measures the amount of the company’s net investment income as a percentage of the average amount of cash and invested assets and was considered exceptional in 2013 and 2014. The exceptional ratios in these years are attributable to a conservative investment approach and the prolonged low interest rate environment in the United States. In 2013, the company reallocated a sizable portion of its investments from bonds to short-term investments. During the course of 2014, the company reallocated back to bonds, but the high degree of liquidity it maintained for much of 2013 and 2014 had the effect of reducing its investment yield for those years.

Ratio No. 7, “Gross Change in Surplus,” is intended to be the ultimate measure of improvement or deterioration in an insurer’s financial condition during the year. The exceptional result for 2012 was due to a $200,000,000 surplus contribution from MGIC in order to fully fund the contingency plan for the company to write new business in any jurisdiction that was either legally unable to grant a waiver of capital requirements to its parent, MGIC, or was unwilling to do so. The exceptional result for 2015 was due to a $387,000,000 return of paid-in surplus to its sole shareholder, MGIC in consideration of the fact that new business writings were and are seen as unlikely to be necessary. The capital and surplus remaining in the company is very ample relative to the risks underwritten during its brief resumption of activity.

Growth of MGIC Indemnity Corporation

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
2016	$140,014,573	$50,089,919	$ 89,924,654	$ 1,528,535
2015	136,938,898	45,915,084	91,023,814	6,839,500
2014	498,953,867	29,764,838	469,189,029	11,091,104
2013	480,955,832	22,883,061	458,072,771	9,506,737
2012	458,810,184	10,469,839	448,340,345	12,983,886
2011	234,900,424	401,903	234,498,521	4,777,300

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
2016	$13,359,693	$9,959,793	$11,390,821	3.6%	126.3%	129.9%
2015	17,700,393	16,319,524	15,817,609	3.9%	89.9%	93.8%
2014	22,026,998	16,360,932	17,862,283	3.6%	72.1%	75.7%
2013	27,875,428	21,389,564	20,307,887	2.3%	70.8%	73.1%
2012	7,687,235	7,422,047	2,915,202	1.4%	66.7%	68.1%
2011	23,564	275	335	134.6%	150,900.7%	151,035.3%

MGIC Indemnity Corporation had been in run-off since February 28, 1985, and this run-off was nearly complete when, under a contingency plan developed in 2009, the company resumed writing new business from August 2012 to August 2013 in jurisdictions that were unable or unwilling to grant MGIC a waiver of its minimum capital requirements when it breached the 25 to 1 risk-to-capital standard and the comparable requirements of the minimum policyholders position as of June 30, 2012. During this time, MIC was the MGIC Group's sole direct writer in the following eight jurisdictions: Florida, Idaho, Missouri, New Jersey, New York, North Carolina, Ohio, and Puerto Rico. MIC also wrote a modest amount of new business in other states to provide accommodation to certain lenders. The last new commitments for mortgage insurance were made on July 1, 2013. Thereafter, MGIC resumed its status as the sole direct writer of new business in the MGIC Group. Since 2013, gross and net premiums written declined as the business has runoff.

The high underwriting expense ratios reported during the period under examination are largely due to contributions to the contingency reserves as required by law. Wisconsin law provides that changes in the contingency reserve run through the income statement rather than as direct adjustments to surplus. In this respect, Wisconsin law differs from the provisions of the

NAIC's Statement of Statutory Accounting Principles No. 58, paragraph 22. As the runoff progresses, it is likely that the company will report high combined ratios as its premium writings steadily decrease, since it will still incur losses on the policies that remain in force and general expenses to continue operations.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2016, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

Summary of Current Examination Results

The current examination resulted in no adverse or material findings.

VIII. CONCLUSION

MGIC Indemnity Corporation is a direct wholly owned subsidiary of Mortgage Guaranty Insurance Corporation and an indirect wholly owned subsidiary of MGIC Investment Corporation, its ultimate controlling person. The company is the original insurer to carry the name of Mortgage Guaranty Insurance Corporation. It was incorporated November 14, 1956, and commenced operations in March 1957.

As of December 31, 2016, the company reported assets of $140,014,573, liabilities of $50,089,919, and policyholders' surplus of $89,924,654. Operations for 2016 produced a net income of $1,528,535. Policyholders' surplus has decreased from $234,498,521 as of year-end 2011 to $89,924,654 as of year-end 2016. This represents a decrease of 61.7% during the period under examination. The following schedule summarizes the cumulative increases and decreases to surplus from December 31, 2011, when policyholders' surplus was last verified by examination, to December 31, 2016:

Policyholders' surplus, December 31, 2011	$234,498,521
Paid-in surplus adjustments	(187,000,000)
Net income	41,949,762
Change in net deferred income tax	3,990,450
Change in non-admitted assets	(3,476,137)
Change in net unrealized capital gains/(losses)	(37,942)
Policyholders' Surplus, December 31, 2016	$ 89,924,654

MGIC Indemnity Corporation had been in run-off since February 28, 1985 and this runoff was nearly complete when, under a contingency plan developed in 2009, the company resumed writing new business from August 2012 to August 2013 in jurisdictions that were unable or unwilling to grant MGIC a waiver of its minimum capital requirements when it breached the 25 to 1 risk-to-capital standard and the comparable requirements of the minimum policyholders position as of June 30, 2012. During this time, MIC was the MGIC Group's sole direct writer in the following eight jurisdictions: Florida, Idaho, Missouri, New Jersey, New York, North Carolina, Ohio, and Puerto Rico. MIC also wrote a modest amount of new business in other states to provide accommodation to certain lenders. The last new commitments for mortgage insurance were made on July 1, 2013. Thereafter, MGIC resumed its status as the sole direct writer of new business in the MGIC Group. Since 2013, gross and net premiums written declined as the business has runoff.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The current examination resulted in no recommendations. There were no adjustments or reclassifications to the balance sheet amounts as a result of this examination.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Nicholas J. Barsuli	Insurance Financial Examiner
Jerry C. DeArmond	Insurance Financial Examiner – Advanced, Loss Reserve Specialist
Tom M. Janke	Insurance Financial Examiner – Journey
Adrian A. Jaramillo	Insurance Financial Examiner
John E. Litweiler	Insurance Financial Examiner – Advanced, Exam Planning & Quality Control Specialist
Eleanor Lu	Insurance Financial Examiner – Advanced, Information Systems Audit Specialist
Vickie O. Ostien	Insurance Financial Examiner – Journey
Yi Xu	Insurance Financial Examiner

Respectfully submitted,

Ana J. Careaga
Examiner-in-Charge