Report of the Examination of

MGIC Indemnity Corporation

Milwaukee, Wisconsin

As of December 31, 2021

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Wisconsin Office of the
COMMISSIONER OF INSURANCE
FINANCIAL REGULATION

Tony Evers, Governor of Wisconsin
Nathan Houdek, Commissioner of Insurance

November 18, 2022

Honorable Nathan D. Houdek
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 Company (MIC, Old MGIC, or the company) was conducted in 2017 and 2018 as of December 31, 2016. The current examination covered the intervening period ending December 31, 2021, and included a review of such subsequent 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 the 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 concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance (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 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 (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 (the Plan) was approved by the commissioner in November 1984, whereby Mortgage Guaranty Insurance Corporation, then known as Liberty Mortgage Insurance Corporation (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 runoff 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.

While, officially, the Great Recession 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, subprime 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 (GSEs), Federal National Mortgage Association (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 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, under the reactivation plan, for mortgage insurance on July 1, 2013. Thereafter, MGIC resumed its status as the sole direct writer of new business in the MGIC Group.

In 2018, MIC undertook an initiative to participate in pilot programs offered through the GSEs. In 2019 MIC began insuring loans under Freddie Mac's Integrated Mortgage Insurance (IMAGIN) program, and in 2020, MIC began insuring loans through Fannie Mae's Enterprise Paid Mortgage Insurance (EPMI) program. Under these programs, premiums would be paid by the GSE, who would also be the beneficiary of the policy. Prior to writing new business under the GSEs' pilot programs, MIC entered into a 100% Quota Share Reinsurance Agreement with MGIC, effective December 1, 2018, to cede 100% of its net retained liability for policies issued or assumed on or before December 1, 2018. Premium written remained fairly modest under IMAGIN and EPMI programs, and Fannie Mae and Freddie Mac ultimately decided to terminate their respective programs, and as a result MIC is no longer writing new business.

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 company is licensed to write in all 50 states, the District of Columbia, and Puerto Rico. In 2021, the company wrote direct premium in the following states:

Virginia	$2,352,941	50.3%
District of Columbia	1,493,635	32.0
Ohio	189,642	4.1
Florida	177,593	3.8
All others	460,410	9.8
Total	$4,674,221	100.0%

The company only writes mortgage guaranty business. The company is no longer is actively writing new policies.

The following table is a summary of the net insurance premiums written by the company in 2021. 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	$4,674,221	$0	$659,330	$4,014,891
Total All Lines	$4,674,221	$0	$659,330	$4,014,891

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of eight members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. Board members are members of management of the MGIC Group.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Nathan R. Abramowski Muskego, WI	Vice President & Treasurer Mortgage Guaranty Insurance Corporation	2023
Paula C. Maggio Oak Park, IL	General Counsel Mortgage Guaranty Insurance Corporation	2023
Julie K. Sperber Waukesha, WI	Controller Mortgage Guaranty Insurance Corporation	2023
Nathaniel H. Colson Mequon, WI	Chief Financial Officer Mortgage Guaranty Insurance Corporation	2023
Timothy J. Mattke Whitefish Bay, WI	Chief Executive Officer Mortgage Guaranty Insurance Corporation	2023
Steven M. Thompson Arkdale, WI	Chief Risk Officer Mortgage Guaranty Insurance Corporation	2023
Heidi A. Heyrman Pewaukee, WI	Vice President Regulatory Relations Mortgage Guaranty Insurance Corporation	2023
Salvatore A. Miosi Pewaukee, WI	President & Chief Operating Officer Mortgage Guaranty Insurance Corporation	2023

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Salvatore A. Miosi	President & Chief Operating Officer
Julie K. Sperber	Vice President & Controller
Paula C. Maggio	Executive Vice President & Secretary
Nathaniel H. Colson	Executive Vice President
Steven M. Thompson	Executive Vice President
James J. Hughes	Executive Vice President
Timothy J. Mattke	Chief Executive Officer

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

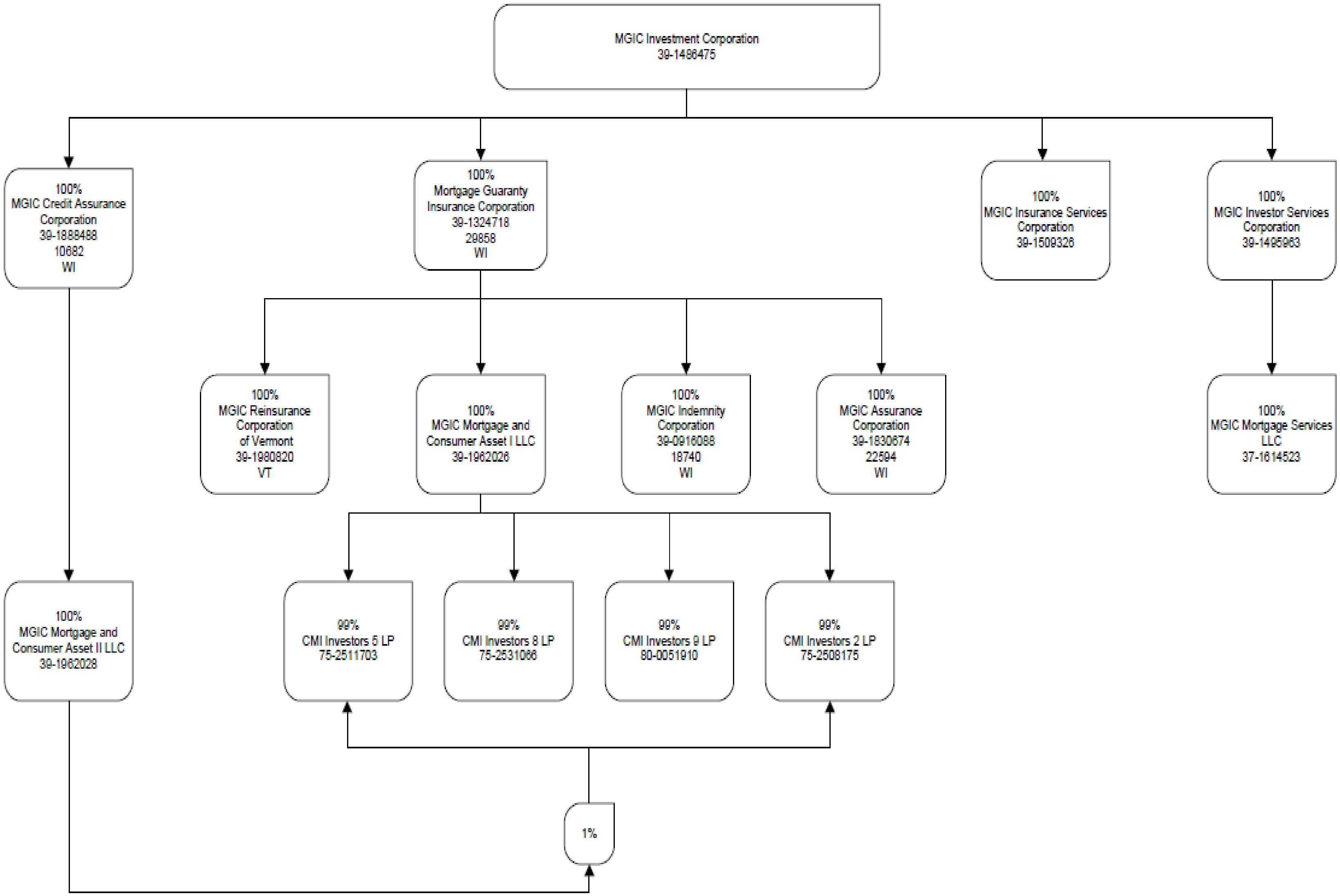
The committees at the time of the examination are listed below:

Securities Investment Committee	**Risk Committee**
Nathan R. Abramowski, Chair	Nathaniel H. Colson, Chair
Nathaniel H. Colson	Salvatore A. Miosi
Heidi A. Heyrman	Steven M. Thompson

IV. AFFILIATED COMPANIES

MGIC Indemnity Corporation is a member of a holding company system. The organizational chart on the next page depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of December 31, 2021



MGIC Investment Corporation

MGIC Investment Corporation is a holding company that is publicly traded. This company is the ultimate parent company of the group. The holding company issues the publicly traded stock of the group and issues the public debt of the group. As of December 31, 2021, the audited GAAP consolidated financial statements of MGIC Investment Corporation reported assets of $7,325,008 thousand, liabilities of $2,463,626 thousand, and total shareholder’s equity of $4,861,382 thousand. Operations for 2021 produced net income of $634,983 thousand.

Mortgage Guaranty Insurance Corporation

Mortgage Guaranty Insurance Corporation (MGIC) a wholly owned subsidiary of MGIC Investment Corporation and is the direct parent company of MIC. MGIC serves as the lead operating company in the MGIC Group and provides administrative and managerial services to its affiliates. MGIC is the insurer that writes the vast majority of the group’s insurance business. MGIC only writes mortgage insurance. The 2021 audited statutory financial statements reported assets of $6,577,128 thousand, liabilities of $5,360,033 thousand, surplus of $1,217,095 thousand, and net income of $289,573 thousand.

MGIC Credit Assurance Corporation

MGIC Credit Assurance Corporation (MCAC) is a wholly owned subsidiary of MGIC Investment Corporation. Beginning in 1998, MCAC wrote mortgage guaranty insurance on junior liens. On January 1, 2002, MCAC stopped writing new business and is currently in runoff. The 2021 audited statutory financial statements reported assets of $9,331 thousand, liabilities of $200 thousand, surplus of $9,131 thousand, and net income of $79 thousand.

MGIC Assurance Corporation

MGIC Assurance Corporation (MAC) is an insurer that writes credit risk transfer business. MAC is a wholly owned subsidiary of Mortgage Guaranty Insurance Corporation. The 2021 audited statutory financial statements reported assets of $276,707 thousand, liabilities of $15,583 thousand, surplus of $261,124 thousand, and net income of $3,524 thousand.

Agreements with Affiliates

Tax Sharing Agreement

Effective January 22, 1986, MGIC Investment Corporation entered into a tax sharing agreement with its affiliates including MIC, MAC, MGIC, and MCAC, to file a consolidated federal income tax return for the benefit of the group. This agreement provides tax computing, filing the return, audits and other adjustments, dispute resolution, and other administrative duties associated with taxes. The agreement calls for prompt settlement of estimated federal taxes and year-end calculated adjusted payments on the designated due dates.

Shared Resources Agreement

On March 11, 2010, in preparation for the reactivation business plan for MIC, MGIC and MIC entered into a Shared Resources Agreement. The effective date of the agreement was stipulated to be the day MIC issues its first policy, which occurred in August 2012. 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. MIC will pay MGIC a fee equal to a percentage of the premiums.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

The company has ceded reinsurance, but it is not significant. MIC’s reinsurance program is currently in runoff, as all reinsurance cessions are from policies issued between August 2012 and July 2013. New business written in 2019 and 2020 is not reinsured.

Effective July 1, 2015, MIC and MGIC entered into a Quota Share Reinsurance Agreement with a panel of nonaffiliated reinsurers. Under the agreement, MIC ceded 30% of losses for covered policies, which would have been issued between August 2012 and July 2013. The agreement was later amended in 2019, effectively lowering the quota share cession rate to 15%. The stated termination date of the agreement was December 31, 2024, however MIC and MGIC elected to terminate the agreement effective December 31, 2022.

Effective December 31, 2016, MIC entered into a Variable Rate Quota Share Reinsurance Agreement with MGIC. The agreement is applicable to policies written by MIC between August 2012 and July 2013. The cession rate is determined on a policy-by-policy basis. The cession 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 would have a cede rate of 16.67% [(30%-25%)/30%].

Effective December 1, 2018, MIC entered into a 100% Quota Share Reinsurance Agreement with MGIC. Under the terms of the agreement, MIC cedes 100% of its net retained liability to MGIC, for policies issued on or before December 1, 2018. Although the agreement covers policies issued before December 1, 2018, the most recent policies covered under the agreement were written in 2013. Reinsurance ceded under the 100% Quota Share Reinsurance Agreement is net of all other reinsurance.

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, 2021, 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 policyholder position calculation.

MGIC Indemnity Corporation
Assets
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$157,734,033	$	$157,734,033
Cash, cash equivalents, and short-term investments	7,704,595		7,704,595
Receivables for securities	50,000		50,000
Investment income due and accrued	1,383,000		1,383,000
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	29,572		29,572
Reinsurance:			
Amounts recoverable from reinsurers	30,152		30,152
Current federal and foreign income tax recoverable and interest thereon	124,438		124,438
Net deferred tax asset	2,653,999	1,177,079	1,476,920
Write-ins for other than invested assets:			
Miscellaneous receivables	4,365		4,365
Total Assets	$169,714,154	$1,177,079	$168,537,075

MGIC Indemnity Corporation
Liabilities, Surplus, and Other Funds
As of December 31, 2021

Losses		$ 1,122,361
Loss adjustment expenses		30,863
Other expenses (excluding taxes, licenses, and fees)		17,835
Taxes, licenses, and fees (excluding federal and foreign income taxes)		41,570
Unearned premiums		4,975,971
Ceded reinsurance premiums payable (net of ceding commissions)		10,849
Payable to parent, subsidiaries, and affiliates		36,521
Write-ins for liabilities:		
Contingency Reserve		55,933,843
Total Liabilities		62,169,813
Common capital stock	$ 3,588,000	
Gross paid in and contributed surplus	98,225,792	
Unassigned funds (surplus)	4,553,470	
Surplus as Regards Policyholders		106,367,262
Total Liabilities and Surplus		$168,537,075

MGIC Indemnity Corporation
Summary of Operations
For the Year 2021

Underwriting Income		
Premiums earned		$2,162,114
Deductions:		
Losses incurred	$ 924,906	
Loss adjustment expenses incurred	25,284	
Other underwriting expenses incurred	987,678	
Write-ins for underwriting deductions:		
Contingency reserve contribution	1,080,171	
120-month release of contingency reserve	(1,556)	
Contingency reserve withdrawal	(141,084)	
Total underwriting deductions		2,875,399
Net underwriting gain (loss)		(713,285)
Investment Income		
Net investment income earned	3,856,795	
Net realized capital gains (losses)	1,063	
Net investment gain (loss)		3,857,858
Other Income		
Net gain (loss) from agents' or premium balances charged off	1,632	
Total other income		1,632
Net income (loss) before federal and foreign income taxes		3,146,205
Federal and foreign income taxes incurred		749,711
Net Income (Loss)		$2,396,494

MGIC Indemnity Corporation
Cash Flow
For the Year 2021

Premiums collected net of reinsurance			$3,768,966
Net investment income			4,313,587
Miscellaneous income			1,632
Total			8,084,185
Benefit- and loss-related payments		$ 662	
Commissions, expenses paid, and aggregate write-ins for deductions		986,787	
Federal and foreign income taxes paid (recovered)		796,896	
Total deductions			1,784,345
Net cash from operations			6,299,840
Proceeds from investments sold, matured, or repaid:			
Bonds	$25,924,644		
Net gains (losses) on cash, cash equivalents, and short-term investments	(12)		
Miscellaneous proceeds	(50,000)		
Total investment proceeds		25,874,632	
Cost of investments acquired (long-term only):			
Bonds	35,135,247		
Miscellaneous applications	1,230,000		
Total investments acquired		36,365,247	
Net cash from investments			(10,490,615)
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		51,512	
Net cash from financing and miscellaneous sources			51,512
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(4,139,263)
Cash, cash equivalents, and short-term investments:			
Beginning of year			11,843,857
End of Year			$7,704,594

MGIC Indemnity Corporation
Minimum Policyholder Position Calculation
December 31, 2021

Surplus as regards policyholders		$106,367,262	
Less invested assets in excess of limitations		4,207,776	
Contingency reserve		55,933,843	
Total policyholder position			$158,093,330
Net minimum policyholders position:			
Individual Loans:			
Loan-to-value more than 75%	$5,102,301		
Total Individual Loans		5,102,301	
Deduction of individual or group loans for which the insurer has established a loss and LAE reserve is greater than or equal to the MPP for said loan		124,343	
Total minimum policyholder position			4,977,958
Excess of total policyholders position over minimum policyholders position			$153,115,372

MGIC Indemnity Corporation
Analysis of Surplus
For the Five-Year Period Ending December 31, 2021

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

	2021	2020	2019	2018	2017
Surplus, beginning of year	$103,197,139	$ 99,746,602	$96,943,652	$92,869,392	$89,924,654
Net income	2,396,494	2,865,503	2,722,395	4,237,027	3,236,615
Change in net unrealized capital gains/losses		12	(12)		
Change in net deferred income tax	107,594	40,957	50,650	(25,442)	(1,488,243)
Change in nonadmitted assets	666,035	544,065	29,917	(137,325)	1,196,366
Surplus, End of Year	$106,367,262	$103,197,139	$99,746,602	$96,943,652	$92,869,392

MGIC Indemnity Corporation
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2021

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	2021	2020	2019	2018	2017
#1	Gross Premium to Surplus	4%	5%	6%	7%	11%
#2	Net Premium to Surplus	4	3	2	5	9
#3	Change in Net Premiums Written	46*	19	-52*	-41*	-18
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	0	0	0	48	74
#6	Investment Yield	2.4	2.6	2.6	2.3	2.2*
#7	Gross Change in Surplus	3	3	3	4	3
#8	Change in Adjusted Surplus	3	3	3	4	3
#9	Liabilities to Liquid Assets	37	37	36	36	37
#10	Agents' Balances to Surplus	0	0	0	0	1
#11	One-Year Reserve Development to Surplus	0	0	0	-1	-1
#12	Two-Year Reserve Development to Surplus	0	0	-1	-1	-1
#13	Estimated Current Reserve Deficiency to Surplus	0	0	0	0	-1

Ratio No. 3 is the change in net premiums written. From August 2012 to July 2013, MIC was writing direct mortgage insurance in jurisdictions where MGIC did not meet capital requirements. On July 1, 2013 MGIC was eligible to write in all jurisdictions and as a result, MIC ceased to write new business and as a result premium written steadily declined each year through 2019. The increase in premium written in 2020-2021 was the result of MIC issuing new insurance policies directly to the GSEs.

Ratio No. 6 measures the amount of the company's net investment income as a percentage of the average amount of cash and invested assets. The unusual IRIS value in 2017 was due to the low interest rate environment. Beginning in 2018, the floor for triggering Ratio No. 6 was lowered from 3% to 2%, to reflect the persistently low interest rate environment.

Growth of MGIC Indemnity Corporation

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2021	$168,537,075	$62,169,813	$106,367,262	$2,396,494
2020	163,153,084	59,955,945	103,197,139	2,865,503
2019	156,309,598	56,562,996	99,746,602	2,722,395
2018	151,894,576	54,950,924	96,943,652	4,237,027
2017	147,232,433	54,363,041	92,869,392	3,236,615
2016	140,014,573	50,089,919	89,924,654	1,528,535

Year	Direct Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2021	$4,674,221	$4,014,891	$2,162,114	43.9%	47.9%	91.8%
2020	5,168,838	2,748,316	1,235,224	16.9%	54.8%	71.7%
2019	6,144,238	2,319,089	1,061,766	-18.5%	66.6%	48.1%
2018	6,882,392	4,804,121	6,418,370	-5.9%	95.8%	89.9%
2017	9,759,187	8,133,867	9,325,224	2.6%	87.2%	89.8%
2016	13,359,693	9,959,793	11,390,821	3.6%	126.3%	129.8%

Both net and earned premium steadily decreased from 2016 through 2019. There was a significant decline in net and earned premium in 2019 due to MIC entering into a 100% quota share which covered policies issued prior to December 2018. The relatively modest increase in net and earned premium in 2020 and 2021 is from new insurance policies issued directly to the Fannie Mae and Freddie

Mac. The pilot programs offered by the GSEs were discontinued 2021, and as a result, the company is once again no longer writing new business.

The loss and loss adjusting expense ratio remained low from 2016-2019. In 2020 and 2021, the ratio increased to 16.9% and 43.9%, respectively. The losses are related to policies issued to the GSEs. The mortgage guaranty industry in general had elevated losses in 2020 and 2021 due to the COVID-19 pandemic.

The vast majority of the company's liabilities are contingency reserves. The contingency reserve is a special statutory reserve required of all mortgage insurers designed to provide a capital cushion against the effect of adverse economic cycles.

The company's expense ratio is elevated due to mandatory contributions to its contingency reserve; however, the ratio has trended downward during the past six years. Section 3.09 (12) (c), Wis. Adm. Code requires changes in the contingency reserve to be reported as a reduction to underwriting income. This requirement is a deviation from SSAP No. 58, Paragraph 22, which requires changes in the contingency reserve to be recorded directly to unassigned funds. This accounting treatment had the effect of inflating the expense ratio.

Reconciliation of Surplus per Examination

No adjustments were made to net policyholder position as a result of the examination. The amount of policyholder position reported by the company as of December 31, 2021, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

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

Summary of Current Examination Results

The current examination resulted in no adverse or material findings.

VIII. CONCLUSION

MIC has sufficient capital to handle the remaining business. The company has had decreasing premium volume every year during the examination period. The company continues to be profitable despite the pandemic. Premiums decreased during the exam period due to entering into a 100% quota share reinsurance agreement with MGIC for business written prior to 2018. In 2019 the company began insuring loans under Freddie Mac's IMAGIN program, and in 2020, MIC began insuring loans through Fannie Mae's EPMI program. Both pilot programs have since ended and the company is not actively writing new business as of December 31, 2021.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The current examination resulted in no adverse or material findings.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination 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
Ana Careaga	Insurance Financial Examiner
Marisa Rodgers	Insurance Financial Examiner
Ian Anderson	Insurance Financial Examiner
Junji Nartatez, CISA	IT Specialist
Nicholas Hartwig	Quality Control Specialist
Jerry DeArmond, CFE	Data Specialist

Respectfully submitted,

Jake Burkett

Jacob Burkett
Examiner-in-Charge