

MGIC INVESTMENT CORP
Form 10-Q
May 09, 2014

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

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

For the quarterly period ended March 31, 2014

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

^o For the transition period from _____ to _____
Commission file number 1-10816

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

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

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

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

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

YES NO

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

YES NO

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

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

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

YES NO

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

<u>CLASS OF STOCK</u>	<u>PAR VALUE</u>	<u>DATE</u>	<u>NUMBER OF SHARES</u>
Common stock	\$1.00	04/30/14	338,515,868

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2014 and December 31, 2013

(Unaudited)

	March 31, 2014	December 31, 2013
	(In thousands)	
<u>ASSETS</u>		
Investment portfolio (notes 7 and 8):		
Securities, available-for-sale, at fair value:		
Fixed maturities (amortized cost, 2014 - \$4,803,526; 2013 - \$4,948,543)	\$4,758,526	\$4,863,925
Equity securities	2,955	2,894
Total investment portfolio	4,761,481	4,866,819
Cash and cash equivalents	296,887	332,692
Restricted cash and cash equivalents (note 1)	17,444	17,440
Accrued investment income	31,811	31,660
Prepaid reinsurance premiums (note 4)	38,071	36,243
Reinsurance recoverable on loss reserves (note 4)	57,618	64,085
Reinsurance recoverable on paid losses (note 4)	9,031	10,425
Premium receivable	54,339	62,301
Home office and equipment, net	28,650	26,185
Deferred insurance policy acquisition costs	10,154	9,721
Other assets	159,509	143,819
Total assets	\$5,464,995	\$5,601,390
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Liabilities:		
Loss reserves (note 12)	\$2,834,559	\$3,061,401
Premium deficiency reserve (note 13)	43,288	48,461
Unearned premiums	160,097	154,479
Senior notes (note 3)	61,883	82,773
Convertible senior notes (note 3)	845,000	845,000
Convertible junior debentures (note 3)	389,522	389,522
Other liabilities	289,931	275,216
Total liabilities	4,624,280	4,856,852
Contingencies (note 5)		
Shareholders' equity (note 14):		
Common stock (one dollar par value, shares authorized 1,000,000; shares issued 2014 and 2013 - 340,047; shares outstanding 2014 - 338,516; 2013 - 337,758)	340,047	340,047
Paid-in capital	1,657,360	1,661,269
Treasury stock (shares at cost 2014 - 1,531; 2013 - 2,289)	(33,905)	(64,435)
Accumulated other comprehensive loss, net of tax (note 9)	(78,361)	(117,726)
Retained deficit	(1,044,426)	(1,074,617)
Total shareholders' equity	840,715	744,538
Total liabilities and shareholders' equity	\$5,464,995	\$5,601,390

See accompanying notes to consolidated financial statements.

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MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	(In thousands, except per share data)	
Revenues:		
Premiums written:		
Direct	\$244,189	\$254,547
Assumed	451	551
Ceded (note 4)	(26,620)	(6,598)
Net premiums written	218,020	248,500
Increase in unearned premiums, net	(3,759)	(1,441)
Net premiums earned	214,261	247,059
Investment income, net of expenses	20,156	18,328
Realized investment (losses) gains, net	(231)	1,259
Total other-than-temporary impairment losses	-	-
Portion of losses recognized in other comprehensive income, before taxes	-	-
Net impairment losses recognized in earnings	-	-
Other revenue	896	2,539
Total revenues	235,082	269,185
Losses and expenses:		
Losses incurred, net (note 12)	122,608	266,208
Change in premium deficiency reserve (note 13)	(5,173)	(1,650)
Amortization of deferred policy acquisition costs	1,419	1,697
Other underwriting and operating expenses, net	37,981	48,315
Interest expense (note 3)	17,539	26,406
Total losses and expenses	174,374	340,976
Income (loss) before tax	60,708	(71,791)
Provision for income taxes (note 11)	726	1,139
Net income (loss)	\$59,982	\$(72,930)
Income (loss) per share (note 6):		
Basic	\$0.18	\$(0.31)
Diluted	\$0.15	\$(0.31)
Weighted average common shares outstanding - basic (note 6)	338,213	232,348
Weighted average common shares outstanding - diluted (note 6)	413,180	232,348

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three Months Ended March 31, 2014 and 2013
(Unaudited)

Three
Months
Ended
March
31,
2014