

MGIC INVESTMENT CORP

Form DEF 14A

March 30, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

MGIC INVESTMENT CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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**MGIC
Investment
Corporation**

**Notice
of 2006
Annual
Meeting
and
Proxy
Statement**

**2005
Annual
Report
to
Shareholders
MGIC Investment Corporation**

March 30, 2006

Dear Shareholder:

It is my pleasure to invite you to attend our Annual Meeting of Shareholders to be held on Thursday, May 11, 2006, at the Marcus Center for the Performing Arts in Milwaukee, Wisconsin.

At our meeting this year, we will ask shareholders to elect four directors to our Board of Directors and ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants for 2006. We will also report on our business.

Your vote is important. Even if you plan to attend the meeting, we encourage you to sign the enclosed proxy card for voting your shares. Please read our Proxy Statement for more information about our meeting and the voting process.

Our Annual Report to Shareholders follows the Proxy Statement in this booklet.

Sincerely,
Curt S. Culver
Chairman and
Chief Executive Officer

MGIC Investment Corporation
Notice of Annual Meeting of Shareholders
To Be Held On
May 11, 2006

The Annual Meeting of Shareholders of MGIC Investment Corporation will be held at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin, on May 11, 2006, at 9:00 a.m., to vote on the following matters:

- (1) Election of four directors, each for a three-year term;
- (2) Ratification of the appointment of PricewaterhouseCoopers LLP as our independent accountants for 2006; and
- (3) Any other matters that properly come before the meeting.

Only shareholders of record at the close of business on March 10, 2006, will be entitled to vote at the annual meeting and any postponement or adjournment of the meeting.

By Order of the Board of Directors
Jeffrey H. Lane, Secretary
March 30, 2006

YOUR VOTE IS IMPORTANT
PLEASE PROMPTLY COMPLETE, SIGN, DATE AND RETURN YOUR PROXY CARD

MGIC Investment Corporation P.O. Box 488, MGIC Plaza, Milwaukee, WI 53201

Proxy Statement

Our Board of Directors is soliciting proxies for the Annual Meeting of Shareholders to be held at 9:00 a.m., Thursday, May 11, 2006, at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin, and at any postponement or adjournment of the meeting. This proxy statement and the enclosed form of proxy are being mailed to shareholders beginning March 30, 2006. Our Annual Report to Shareholders for the fiscal year ended December 31, 2005, which follows the proxy statement in this booklet, is a separate report and is not part of this proxy statement.

About the Meeting and Proxy Materials

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act on the matters outlined in our notice of meeting on the preceding page, including the election of directors and ratification of the appointment of PricewaterhouseCoopers LLP as our independent accountants for 2006. In addition, management will report on the performance of our Company during the last year and after the meeting respond to questions from shareholders.

Who is entitled to vote at the meeting?

Only shareholders of record at the close of business on March 10, 2006, the record date for the meeting, are entitled to receive notice of and to vote at the annual meeting. For each share of Common Stock that you held on that date, you are entitled to one vote on each matter considered at the meeting. On the record date, 87,647,537 shares of Common Stock were outstanding and entitled to vote.

What is a proxy?

A proxy is another person you legally designate to vote your shares. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card.

How do I vote my shares?

If you are a shareholder of record, meaning your shares are registered directly in your name with Wells Fargo Bank Minnesota, N.A., the Company's stock transfer agent, you may vote your shares by completing, signing and returning the enclosed proxy card in the envelope provided. If you attend the meeting, you may withdraw your proxy and vote your shares in person.

If you hold your shares in street name, meaning your shares are held in a stock brokerage account or by a bank or other nominee, your broker or nominee has enclosed or provided a vote instruction form for you to use to direct the broker or nominee how to vote your shares.

For shares you hold as a participant in the Company's Profit Sharing and Savings Plan and Trust, you may use the enclosed proxy card to instruct the plan trustees how to vote those shares. The trustees will vote shares held in your account in accordance with your instructions and the plan terms. The plan trustees may vote the shares for you if your proxy card is not received at least five days before the annual meeting date.

Can I change my vote after I return my proxy card?

Yes, you can revoke your proxy by advising the Secretary of the Company in writing or by submitting a signed proxy with a later date if these revocations are received before your shares are voted, or by voting on the issue in person at the meeting. If your shares are held in street name by a broker, bank or nominee, or in the Company's Profit Sharing and Savings Plan and Trust, you must follow the instructions of the broker, bank, nominee or plan trustee on how to change your vote.

How are the votes counted?

A quorum is necessary to hold the meeting and will exist if a majority of the 87,647,537 shares of Common Stock outstanding on the record date are represented, in person or by proxy, at the meeting. Votes cast by proxy or in person at the meeting will be counted by Wells Fargo Bank Minnesota, N.A., which has been appointed by our Board to act as inspector of election for the meeting. Shares represented by proxy cards marked *Abstain* or *Withheld* will be counted to determine the presence of a quorum, but will not be counted as votes for or against any matter. Broker non-votes, which occur when a broker or other nominee does not have

authority to vote on a particular matter without instructions from the beneficial owner of the shares and has not received such instructions, will be counted for quorum purposes but will not be counted as votes for or against any matter.

What are the Board's recommendations?

Our Board of Directors recommends a vote **FOR** all of the nominees for director (Item 1) and **FOR** ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent accountants for 2006 (Item 2).

If you sign and return a proxy card without specifying how you want your shares voted, the named proxies will vote your shares in accordance with the recommendations of the Board for Item 1 and Item 2, and in their best judgment on any other matters that properly come before the meeting.

Will any other items be acted upon at the annual meeting?

The Board does not know of any other business to be presented at the annual meeting. No proposals by shareholders for presentation at this year's annual meeting were received by the deadline for submission of shareholder proposals. Therefore, shareholders will not be permitted to bring any business before the meeting.

What are the deadlines for submission of shareholder proposals for the next annual meeting?

Shareholders who want to have a proposal included in a proxy statement for a future annual meeting may do so by following the rules of the Securities and Exchange Commission. Under these rules, proposals for inclusion in next year's annual meeting proxy statement must be received by the Company's Secretary no later than November 30, 2006.

Under the Company's Bylaws, a shareholder who wants to bring business before the annual meeting that has not been included in the proxy materials for the meeting, or who wants to nominate directors at the meeting, must be eligible to vote at the meeting and give written notice of the proposal to the Company's Secretary. For the 2007 annual meeting, the notice must be received by the Secretary no later than February 13, 2007, and no earlier than January 19, 2007. For director nominations, the notice must comply with the Bylaws and provide the same type of information required to be included in the proxy statement for individuals nominated by the Board. For any other proposals, the notice must describe the proposal and why it should be approved, identify any material interest of the shareholder in the matter, and include other information required by the Bylaws.

Who pays to prepare, mail and solicit the proxies?

The cost of soliciting proxies will be paid by the Company. In addition to soliciting proxies by mail, employees of the Company may solicit proxies by telephone, fax, e-mail or personal interview. The Company also has engaged D.F. King & Co., Inc. to provide proxy solicitation services for a fee of \$8,500, plus expenses, including charges by brokers and other custodians, nominees and fiduciaries to forward proxy materials to the beneficial owners of the Company's Common Stock.

Stock Ownership

The following table identifies holders of more than 5% of the outstanding shares of the Company's Common Stock as of December 31, 2005, based on information filed with the Securities and Exchange Commission. The table also shows the amount of the Company's Common Stock beneficially owned by our directors, each executive officer named in the Summary Compensation Table included in this proxy statement, and all directors and executive officers as a group. Unless otherwise noted, the persons listed in the table have sole voting and investment power over their shares, and information regarding the directors and executive officers is given as of February 15, 2006.

| Name | Shares Beneficially Owned | Percent of Class |
|---|---------------------------|------------------|
| Legg Mason Capital Management, Inc. Legg Mason Funds Management, Inc. Legg Mason Focus Capital, Inc. 100 Light Street Baltimore, Maryland 21202 (1) | 10,791,659 | 12.19% |
| CAM North America, LLC Salomon Brothers Asset Management Inc Smith Barney Fund Management LLC TIMCO Asset Management Inc. 399 Park Avenue New York, New York 10022 (2) | 4,819,857 | 5.44% |
| Barrow, Hanley, Mewhinney & Strauss, Inc. 2200 Ross Avenue, 31st Floor Dallas, Texas 75201 (3) | 4,773,749 | 5.39% |
| Barclays Global Investors, NA and Affiliates 45 Fremont Street San Francisco, California 94105 (4) | 4,751,667 | 5.37% |
| Curt S. Culver(5) | 745,353 | * |
| Patrick Sinks(5) | 159,422 | * |
| Lawrence J. Pierzchalski(5) | 209,909 | * |
| J. Michael Lauer(5) | 285,804 | * |
| Jeffrey H. Lane(5) | 184,090 | * |
| All directors and executive officers as a group (17 persons) (5)(6) | 1,957,271 | 2.21% |

* Less than 1%

(1) For all shares listed voting and investment power are shared. Includes 8,537,922 shares held under accounts managed by Legg Mason Capital Management, Legg Mason Funds Management and Legg Mason Focus Capital, registered investment advisers. 5,143,900 of such shares are managed by Legg Mason Value Trust, Inc., a registered investment company managed by Legg Mason Capital Management.

(2) The companies listed reported ownership as a group and reported 4,148,191 shares with shared voting power and 4,819,857 shares with shared investment power.

(3) Barrow, Hanley, Mewhinney & Strauss, Inc., a registered investment adviser, reported 1,746,705 shares with shared voting power.

(4) Barclays Global Investors, NA, Barclays Global Fund Advisors, Barclays Global Investors, Ltd, and Barclays Global Investors Japan Trust and Banking Company Limited reported 4,134,076 shares with sole voting power.

(5) Includes shares that could be purchased on February 15, 2006 or within 60 days thereafter by exercise of stock options granted to the executive officers: Mr. Culver 470,509; Mr. Sinks 51,500; Mr. Pierzchalski 135,600; Mr. Lauer 135,600; Mr. Lane 73,200; and all executive officers as a group 962,359. Also includes shares held in the Company's Profit Sharing and Savings Plan and Trust as of December 31, 2005: Mr. Culver 12,473; Mr. Sinks 1,636; Mr. Lauer 10,422; and all executive officers as a group 33,981. Also includes restricted shares over which the named executive officer has sole voting power but no investment power: Mr. Culver 153,581; Mr. Sinks 84,277; Mr. Pierzchalski 60,373; Mr. Lauer 45,483; Mr. Lane 57,166; and all executive officers as a group 446,684. Also includes shares underlying restricted stock units for which the named executive officers have neither voting nor investment power: Mr. Culver 24,000; Mr. Lauer 14,580; and all executive officers as a group 45,735. Also includes shares for which voting and investment power are shared as follows: Mr. Lauer 78,199; and all directors and executive officers as a group 84,110.

(6) Includes an aggregate of 38,720 share units over which there is neither investment nor voting power, and 13,500 shares underlying restricted stock units. See Corporate Governance and Board Matters Compensation of Directors. Also includes an aggregate of 460,684 restricted shares held by all directors and executive officers as a group. The beneficial owners have sole voting power but no investment power over the restricted shares.

Item 1 Election of Directors

Our Board of Directors is divided into three classes, with directors in each class serving for a term of three years ending when a successor takes office. One class of directors is elected at each annual meeting. The Board, upon the recommendation of the Management Development, Nominating and Governance Committee, has nominated four directors for re-election to serve until the 2009 annual meeting and their successors take office. If any nominee is not available for election, proxies will be voted for another person nominated by the Board or the size of the Board will be reduced.

Under our Bylaws, written notice of nominations for director by shareholders was required to be provided to the Secretary by February 14, 2006. Because no notice was received by the deadline, shareholders may not make any nominations for election to the Board at the annual meeting.

Shareholder Vote Required

Each nominee who receives a plurality of the votes cast at the meeting will be elected a director. Only votes cast for a nominee will be counted. Votes cast include votes under proxies which are signed and do not have contrary voting instructions. Broker non-votes, abstentions and instructions on the proxy card to withhold authority to vote for one or more of the nominees will be disregarded in the calculation of a plurality of the votes cast.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES. PROXIES WILL BE VOTED FOR THE NOMINEES UNLESS A SHAREHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD.

NOMINEES FOR DIRECTOR
Term Ending 2009

| | Shares Beneficially Owned⁽¹⁾ |
|--|--|
| <p>Karl E. Case, 59, a Director since 1991, is the Katharine Coman and A. Barton Hepburn Professor of Economics at Wellesley College where he has taught since 1976. Dr. Case has been Visiting Scholar at the Federal Reserve Bank of Boston since 1985. He is also a director of Century Bancorp, Inc.</p> | 13,701 ⁽²⁾⁽³⁾ |
| <p>Curt S. Culver, 53, a Director since 1999, has been Chairman of the Board since January, 2005 and Chief Executive Officer of the Company since January, 2000. He served as President from January, 1999 to January, 2006. Mr. Culver has been Chief Executive Officer of Mortgage Guaranty Insurance Corporation (MGIC) since January, 1999, President of MGIC from May, 1996 to January, 2006 and held senior executive positions with MGIC for more than five years before then. He is also a director of Wisconsin Electric Power Company and Wisconsin Energy Corporation.</p> | 745,353 ⁽⁴⁾ |
| <p>William A. McIntosh, 66, a Director since 1996, was an executive committee member and a managing director at Salomon Brothers Inc, an investment banking firm, when he retired in 1995 after 35 years of service. He is also a director of Northwestern Mutual Series Fund Inc.</p> | 19,409 ⁽²⁾⁽³⁾ |

**Shares
Beneficially
Owned⁽¹⁾**

Leslie M. Muma, 61, a Director since 1995, is a consultant to Fiserv, Inc., a financial industry automation products and services firm. He served Fiserv as President from 1984 and as Chief Executive Officer from 1999, until his retirement in December, 2005. He is also a director of Fiserv.

38,019⁽²⁾⁽³⁾⁽⁵⁾

DIRECTORS CONTINUING IN OFFICE

Term Ending 2008

Mary K. Bush, 57, a Director since 1991, has been President of Bush International, a financial advisory firm, since 1991. Ms. Bush was Managing Director and Chief Operating Officer of the Federal Housing Finance Board, a U.S. government agency, from 1989 to 1991, Vice President-International Finance of the Federal National Mortgage Association, a secondary mortgage institution, from 1988 to 1989, and served the President of the United States as a member of the Board of the International Monetary Fund from 1984 to 1988. She is also a director of Brady Corporation, Briggs & Stratton Corp. and the Pioneer Family of Mutual Funds, and a member of the Advisory Board of Washington Mutual Investors Fund.

13,621⁽²⁾⁽³⁾

David S. Engelman, 68, a Director since 1993, has been a private investor for more than five years. He was President and Chief Executive Officer, on an interim basis, of Fleetwood Enterprises, Inc., a manufacturer of recreational vehicles and manufactured housing, from February to August, 2002. He is also a director of Fleetwood Enterprises, Inc. and Fieldstone Investment Corporation.

18,761⁽²⁾⁽³⁾⁽⁶⁾

**Shares
Beneficially
Owned⁽¹⁾**

Kenneth M. Jastrow, II, 58, a Director since 1994, has been Chairman and Chief Executive Officer of Temple-Inland Inc., a holding company with interests in paper, forest products and financial services, since 2000. He served as President and Chief Operating Officer of Temple-Inland from 1998 to 2000 and held senior executive positions with that company and its subsidiaries for more than five years before then. He is also a director of Temple-Inland and KB Home.

22,620⁽²⁾⁽³⁾

Daniel P. Kearney, 66, a Director since 1999, is a business consultant and private investor. Mr. Kearney served as Executive Vice President and Chief Investment Officer of Aetna, Inc., a provider of health and retirement benefit plans and financial services, from 1991 to 1998. He was President and Chief Executive Officer of the Resolution Trust Corporation Oversight Board from 1990 to 1991, a principal of Aldrich, Eastman & Waltch, Inc., a pension fund advisor, from 1988 to 1989, and a managing director at Salomon Brothers Inc, an investment banking firm, from 1977 to 1988. He is also a director of Fiserv, Inc. and MBIA, Inc.

17,794⁽³⁾

DIRECTORS CONTINUING IN OFFICE

Term Ending 2007

James A. Abbott, 66, a Director since 1989, has been Chairman and a principal of American Security Mortgage Corp., a mortgage banking firm, since 1999. He served as President and Chief Executive Officer of First Union Mortgage Corporation, a mortgage banking company, from 1980 to 1994.

17,981⁽²⁾⁽³⁾

**Shares
Beneficially
Owned⁽¹⁾**

Thomas M. Hagerty, 43, a Director since 2001, has been a managing director with Thomas H. Lee Company, a private investment firm (THL), since 1992 and has been with the firm since 1988.

Mr. Hagerty previously was in the Mergers and Acquisitions Department of Morgan Stanley & Co. Incorporated. He is also a director of Fidelity National Financial, Inc. and Fidelity National Information Services, Inc. In an attempt to preserve the value of an investment in Consec, Inc. by an affiliate of THL, Mr. Hagerty served as the interim chief financial officer of Consec from July, 2000 until April, 2001. In December, 2002, Consec filed a petition under the federal bankruptcy code.

14,188⁽³⁾

Michael E. Lehman, 55, a Director since 2001, has been Chief Financial Officer and Executive Vice President, Corporate Resources of Sun Microsystems, Inc., a provider of computer systems and professional support services, since February, 2006. From July, 2000 to September, 2002, when he retired to become a business consultant, he was Executive Vice President of Sun Microsystems. He was Chief Financial Officer of Sun Microsystems from 1994 to 2002, and held senior executive positions with Sun Microsystems for more than five years before then.

7,425⁽³⁾

(1) Ownership information is for shares of Common Stock as of February 15, 2006. Unless otherwise noted, all directors have sole voting and investment power with respect to the shares. Common Stock beneficially owned by each director represents less than 1% of the total number of shares outstanding.

(2) Includes 2,000 shares held under the Company's 1993 Restricted Stock Plan for Non-Employee Directors. See Corporate Governance and Board Matters Compensation of Directors. The directors have sole voting power and no investment power over these shares.

(3) Includes 1,350 shares underlying restricted stock units. Directors have neither voting nor investment power over the shares underlying these units. Also includes shares held under the Deposit Share Program for Non-Employee Directors under the Company's 1991 Stock Incentive Plan: Mr. Abbott 5,579; Ms. Bush 4,434; Dr. Case 4,115; Mr. Engelman 6,494; Mr. Hagerty 3,564; Mr. Jastrow 8,119; Mr. Kearney 4,534; Mr. Lehman 1,899; Mr. McIntosh 6,589; and Mr. Muma 3,750. Directors have sole voting power and no investment power over these shares. Also includes share units held under the Deferred Compensation Plan over which the directors have neither voting nor investment power, as follows: Ms. Bush 3,923; Dr. Case 5,403; Mr. Hagerty 3,630; Mr. Jastrow 10,005; Mr. Kearney 6,052; Mr. Lehman 1,326; and Mr. Muma 8,381. The programs under which the restricted stock units, shares and share units referred to above were issued are described under Corporate Governance and Board Matters Compensation of Directors.

(4) Includes 470,509 shares which Mr. Culver had the vested right to acquire as of February 15, 2006, or which become vested within sixty days thereafter under options granted to Mr. Culver; 12,473 shares held in the Company's Profit Sharing and Savings Plan and Trust as of December 31, 2005; 153,581 restricted shares awarded under the Company's 2002 Stock Incentive Plan, over which Mr. Culver has sole

voting power but no investment power; and 24,000 shares underlying restricted stock units awarded under the 2002 Stock Incentive Plan over which he has neither voting nor investment power.

(5) Includes 9,132 shares owned by a trust of which Mr. Muma is a trustee and a beneficiary and as to which Mr. Muma disclaims beneficial ownership except to the extent of his interest in the trust.

(6) Includes 5,911 shares owned by a trust of which Mr. Engelman is a trustee and a beneficiary and as to which Mr. Engelman disclaims beneficial ownership except to the extent of his interest in the trust. Voting and investment power are shared for all shares owned by the trust.

Corporate Governance and Board Matters

Board Attendance

The Board of Directors met six times during 2005. Each director attended at least 75% of the meetings of the Board and Committees of the Board on which he or she served. The annual meeting of shareholders is scheduled in conjunction with a Board meeting and directors are expected to attend the annual meeting. All of the Company's directors attended the 2005 annual meeting of shareholders.

Corporate Governance Guidelines and Code of Business Conduct

The Board has adopted Corporate Governance Guidelines which address the Board's composition, including director independence, Board process, Committee structure, Chief Executive Officer succession planning and director compensation.

The Company has a Code of Business Conduct emphasizing our commitment to conducting our business in accordance with legal requirements and high ethical standards. The Code applies to all employees, including the Company's executive officers, and specified portions are applicable to our directors.

The Corporate Governance Guidelines and the Code of Business Conduct are available on the Company's website (www.mgic.com) under the Investor; About MGIC; Corporate Governance links. The Company will provide a copy of these documents to any shareholder who requests them.

Communicating with the Board

Shareholders and other interested persons can communicate with the members of the Board, the non-management members of the Board as a group or the Chairperson of the Management Development, Nominating and Governance Committee, by sending a written communication to the Company's Secretary, addressed to: MGIC Investment Corporation, Secretary, PO Box 488, Milwaukee, WI 53202. The Secretary will pass along any such communication, other than a solicitation for a product or service, to the Chairperson of the Management Development, Nominating and Governance Committee.

Director Independence

The Corporate Governance Guidelines provide that a director is not independent if the director has any specified disqualifying relationship with the Company. The disqualifying relationships are equivalent to those of the independence rules of the New York Stock Exchange, except that our disqualification for board interlocks is more stringent than under the NYSE rules. Also, for a director to be independent under the Guidelines the director may not have any material relationship with the Company. For purposes of determining whether a disqualifying or material relationship exists, the Company consists of MGIC Investment Corporation and its consolidated subsidiaries.

In February, 2006, the Board determined that all of the Company's directors are independent under the Guidelines and the NYSE rules, except for Mr. Culver, the Company's Chief Executive Officer.

The Board made its determination by considering that no disqualifying relationships existed during the periods specified under the Guidelines and the NYSE rules. To determine that there were no material relationships, the Board applied categorical standards that it had adopted. All independent directors met these standards. Under these standards, a director is not independent if payments under transactions between our Company and a company of which the director is an executive officer or 10% or greater owner exceeded the greater of \$1 million or 1% of the other company's gross revenues. Payments made to and payments made by the Company are considered separately, and the threshold is applied to transactions that occurred in the three most recent fiscal years of the other company. Also under these standards, a

director is not independent if during the Company's last three fiscal years the director:

was an executive officer of a charity to which the Company made contributions, or

was an executive officer or member of a law firm or investment banking firm providing services to the Company, or

received any direct compensation from the Company other than as a director, or if during such period a member of the director's immediate family received compensation from the Company.

Committees

The Board has five committees: Audit; Management Development, Nominating and Governance; Risk Management; Securities Investment; and Executive. Information regarding these Committees is provided below. The charters of the Audit; Management Development, Nominating and Governance; Risk Management; and Securities Investment Committees are available on the Company's website (www.mgic.com) under the Investor; About MGIC; Corporate Governance links. They will be provided in print to any shareholder who requests them. The Audit Committee Charter, as in effect beginning in February, 2006, is also included as Exhibit A to this proxy statement.

Audit Committee

The members of the Audit Committee are Ms. Bush (Chairperson) and Messrs. Kearney, Lehman and McIntosh. The Board's independence determination regarding the members of the Audit Committee took into account the requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934. The Board has determined that Mr. Lehman is an audit committee financial expert as that term is defined in Regulation S-K of the Securities and Exchange Commission. The Committee met 14 times during 2005.

Report of the Audit Committee

The Audit Committee assists the oversight by the Board of Directors of the integrity of the Company's financial statements, the effectiveness of its system of internal controls, the qualifications, independence and performance of the independent accountants, the performance of the Company's internal audit function, and the Company's compliance with legal and regulatory requirements. As provided in the Audit Committee Charter, the ultimate responsibility for the integrity, completeness and fairness of the Company's financial statements and the effectiveness of the Company's internal controls rests with the Company's management. The Charter provides that the independent accountants are intended to be the primary check on management's performance in this regard. The ultimate responsibility for the Company's compliance with legal and regulatory requirements also rests with the Company's management.

The Audit Committee reviewed and discussed with management and PricewaterhouseCoopers LLP (PwC), the Company's independent accountants, the Company's audited financial statements for the year ended December 31, 2005. The Audit Committee discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee also received from PwC the written disclosures required by the Independence Standards Board's Standard No. 1 (Independence Discussions with Audit Committees) and discussed with PwC their independence from the Company and its management. None of the officers of the Company having responsibility for finance or accounting matters is a former partner or employee of PwC.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, which has been filed with the Securities and Exchange Commission. These are the same financial statements that appear in the Company's Annual Report to Shareholders.

Members of the Audit Committee:

Mary K. Bush, Chairperson
Daniel P. Kearney
Michael E. Lehman
William A. McIntosh

Management Development, Nominating and Governance Committee

The members of the Management Development, Nominating and Governance Committee are Messrs. Jastrow (Chairman), Hagerty and Muma. The Committee met five times during 2005. The Committee is responsible for overseeing the Company's executive compensation program,

including approving corporate goals relating to compensation for the CEO and determining the CEO's annual compensation. The Committee also oversees the CEO succession planning process, identifies new director candidates, and makes recommendations to the Board for director nominees and committee membership. The Committee reviews the Company's Corporate Governance Guidelines and oversees the Board's self-evaluation process.

The Committee identifies new director candidates through recommendations from Committee members, other Board members and executive officers of the Company, and will consider candidates who are recommended by shareholders, as described below. The Committee and the Board believe that director nominees should have an inquiring and independent mind, sound and considered judgment, high standards of ethical conduct and integrity, and well-respected experience at senior levels of business, academia, government or other fields that will enable the Board to have access to a diverse body of talent and expertise relevant to the Company's activities. The Committee and the Board also believe that a candidate's other time commitments, anticipated tenure on the Board, and whether the candidate will enable the Board to continue to have a substantial majority of independent directors under the Corporate Governance Guidelines must be considered for each candidate.

Shareholders may recommend a candidate for director by submitting background information about the candidate, a description of his or her qualifications and the candidate's consent to the recommendation. If the candidate is to be considered for nomination by the Board at the next annual shareholders meeting, the submission must be received by the Company's Secretary in writing no later than December 1st of the year preceding the meeting. Information on shareholder nominations is provided under "About the Meeting and Proxy Materials" in response to the question *What are the deadlines for submission of shareholder proposals for the next annual meeting?*

The Committee will evaluate new director candidates under the criteria described above, as well as other factors the Committee deems relevant, through background reviews, input from other members of the Board and executive officers of the Company, and personal interviews with the candidate. The Committee will evaluate any director candidates recommended by shareholders using the same process. In determining whether to recommend current Board members as nominees for re-election to the Board, the Committee considers the directors' Board performance and solicits feedback about the directors from other Board members.

Risk Management Committee

The members of the Risk Management Committee are Dr. Case (Chairman) and Messrs. Abbott and Engelman. The Committee met four times in 2005. The Committee is responsible for overseeing management's operation of the Company's mortgage insurance business, including monitoring the performance of the insured books of business, discussing insurance programs, rates and underwriting guidelines and reviewing the mortgage insurance operating environment.

Securities Investment Committee

The members of the Securities Investment Committee are Messrs. Kearney (Chairman), Engelman and McIntosh. The Committee met six times in 2005. The Committee oversees management of the Company's investment portfolio and the investment portfolios of the Company's employee benefit plans. The Committee also makes recommendations to the Board regarding the Company's capital management, including dividend policy, repurchase of shares and external funding.

Executive Committee

The Executive Committee provides an alternative to convening a meeting of the entire Board should a matter arise between Board meetings that requires Board authorization. The members of the Committee are Messrs. Culver (Chairman), Jastrow and Muma. The Committee did not meet in 2005 and did not meet in either of the two prior years. The Committee is established under the Bylaws and has all authority that the Board may exercise with the exception of certain matters that under the Wisconsin Business Corporations Law are reserved to the Board itself.

Compensation of Directors

Under the Corporate Governance Guidelines, compensation of non-employee directors is reviewed periodically by the Management Development, Nominating and Governance Committee. Mr. Culver is the Company's CEO and receives no additional compensation for service as a director.

Annual and Meeting Fees: Directors are paid an annual retainer of \$32,000, plus \$3,000 for each Board meeting attended, and \$2,000 for all Committee meetings attended on any one day. The Chairperson of the Audit Committee receives an additional \$10,000 fee annually and Chairpersons of other Board Committees receive an additional \$5,000 fee annually. Beginning in 2006, non-Chairperson directors who are members of the Audit Committee receive an additional \$5,000 fee annually. All fees are paid quarterly. The Company reimburses directors, and for meetings not held on Company premises, their spouses, for travel, lodging and related expenses incurred in connection with attending Board and Committee meetings.

Deferred Compensation Plan: Directors may elect to defer payment of all or part of the annual and meeting fees until the director's death, disability, termination of service as a director or to another date specified by the director. A director who participates in this plan may elect to have his or her deferred compensation account either credited quarterly with interest accrued at an annual rate equal to the six-month U.S. Treasury Bill rate determined at the closest preceding January 1 and July 1 of each year, or to have the fees deferred during a quarter translated into share units. Each share unit is equal in value to one share of the Company's Common Stock and is ultimately distributed only in cash. If a director defers fees into share units, dividend equivalents in the form of additional share units are credited to the director's account as of the date of payment of cash dividends on the Company's Common Stock. Mr. Culver, because of his employment by the Company, is not eligible to participate.

Deposit Share Program: Under the Deposit Share Program, which is offered to directors under the 2002 Stock Incentive Plan, a director may purchase shares of Common Stock from the Company at fair market value which are then held by the Company. The amount that may be used to purchase shares cannot exceed the director's annual and meeting fees for the preceding year. The Company matches each of these shares with one and one-half shares of restricted Common Stock (Restricted Stock) or, at the director's option, Restricted Stock Units (RSUs). A director who deferred annual and meeting fees from the prior year into share units under the plan described above may reduce the amount needed to purchase Common Stock by the amount so deferred. For matching purposes, the amount so deferred is treated as if shares had been purchased and one and one-half shares of Restricted Stock (or RSUs) are awarded for each such share.

Beginning in 2005, the Restricted Stock and RSUs awarded under the program vest one year after the award. Previously, vesting occurred on the third anniversary of the award unless a director chose a later date. Except for gifts to family members, the Restricted Stock may not be transferred prior to vesting; RSUs are not transferable. Shares that have not vested when a director leaves the Board are forfeited, except in the case of the director's death or certain events specified in the agreement relating to the Restricted Stock and RSUs. The Management Development, Nominating and Governance Committee may waive the forfeiture. All shares of Restricted Stock and RSUs vest on the director's death and will immediately become vested upon a change in control of the Company. RSUs that have vested are settled in Common Stock when the director is no longer a Board member. Dividends are paid on Restricted Stock. The director receives a cash payment equivalent to the dividend corresponding to the number of shares underlying the director's RSUs outstanding on the record date for Common Stock dividends. Only directors who are not employees of the Company are eligible to participate in the program. Mr. Culver, because of his employment by the Company, is not eligible.

RSU Award Program: Directors who are not employees of the Company are awarded RSUs under the 2002 Stock Incentive Plan. In January, 2006, these directors were each awarded RSUs representing 850 shares of Common Stock and were awarded 500 RSUs in January, 2005. The RSUs vest on the first anniversary of the award date, or upon the earlier death of the director. RSUs that have vested will be settled in Common Stock when the director is no longer a Board member. The director receives a cash payment equivalent to the dividend corresponding to the number of shares underlying the director's RSUs outstanding on the record date for Common Stock dividends.

Former Restricted Stock Plan: Non-employee directors elected to the Board before 1997 were each

awarded, on a one-time basis, 2,000 shares of Common Stock under the Company's 1993 Restricted Stock Plan for Non-Employee Directors. The shares are restricted from transfer until the director ceases to be a director of the Company by reason of death, disability or retirement, and are forfeited if the director leaves the Board for another reason unless the forfeiture is waived by the plan administrator. In 1997, the Board decided that no new awards of Common Stock would be made under the plan.

Other: The Company also pays premiums for directors and officers liability insurance under which the directors are insureds.

Stock Ownership Guideline

The Board has adopted a stock ownership guideline for directors under which each member of the Board is expected to own stock in the Company having a value equal to five times the annual retainer for serving on the Board. See Compensation of Directors Annual and Meeting Fees. Stock owned consists of shares owned outright by the director (including under RSUs that have vested but which have not been settled) and 55% of the market value of Restricted Stock and shares underlying RSUs that are scheduled to vest within the next year. Directors are expected to achieve the ownership guideline within four years after joining the Board. As of February 15, 2006, all directors met the stock ownership guideline.

Report of the Management Development, Nominating and Governance Committee on Executive Compensation

The members of the Management Development, Nominating and Governance Committee of the Board of Directors submit this report regarding the compensation of the Company's executive officers for 2005.

Executive Compensation Program

The Company's executive compensation program is designed to attract, retain, motivate and reward high-quality professionals. The principal objectives of the program are:

- link compensation to Company performance by making an executive's annual bonus opportunity substantially more significant than base salary,

- align the interests of management and shareholders by providing a substantial portion of an executive's compensation opportunity in the form of equity in the Company, and

- maintain competitive levels of total compensation (base salary plus annual bonus plus longer-term incentives).

The key components of the Company's executive compensation program for 2005 were base salary, annual performance bonus and restricted equity. In our report, we use the terms restricted equity and restricted stock interchangeably. This is because, as discussed below, some equity awards have been made in the form of restricted stock units (RSUs). The Committee's practice for many years has been to make equity awards at the January meeting. We approved new base salaries for 2005 and made longer-term restricted stock awards for 2005 at our January, 2005 meeting. We approved annual bonus awards for 2005 at our January, 2006 meeting.

The materials provided to us in advance of our January, 2005 and January, 2006 meetings included tally sheets covering compensation of the CEO and each of the other executive officers named in the Summary Compensation Table. These tally sheets were comparable to the tally sheet covering Mr. Culver set forth under Compensation of the Chief Executive Officer below. In addition, the tally sheets set forth actual retirement benefits earned as of the end of the prior year and payable at age 62 under the Company's pension and supplemental retirement plans described under Executive Compensation Pension Plan elsewhere in this proxy statement. The tally sheets provided in January, 2005 also described payments that could be made under the change of control agreements described under Executive Compensation Change of Control Agreements. The tally sheets provided in January, 2006 quantified these payments, which we had reviewed at our July, 2005 meeting.

We periodically receive advice from our outside compensation consultant, Frederic W. Cook & Co., a nationally recognized executive compensation consulting firm. The consultant's advice includes competitive compensation reports comparing total compensation of the Company's executive officers to the amounts paid by a comparison group of public companies. These reports generally cover the CEO individually and the next four highest paid executive officers as a group.

As part of our work reviewing the Company's executive compensation program for 2005, our

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compensation consultant provided a competitive compensation report to us at our October, 2004 meeting. The report compared the Company's total compensation to a group of 23 public companies. The report found that total compensation for the Company's executive officers was substantially below the comparison group and that our mix of compensation was more weighted to longer-term incentives than the comparison group. The report also compared the Company's use of equity in executive compensation to equity use by the comparison companies. While the value of equity as a percentage of market capitalization was at the median of the comparison group, the percentage of shares used for annual awards was lower than comparison companies.

The comparison companies used in the report were the Company's competitors, financial guaranty insurers and various other financial services companies. The market capitalization of the Company was about in the middle of the overall market capitalization of the comparison group. The pay data was based on information from proxy statements reporting compensation for 2003. This was the latest data available in October 2004. Information more current than 2003 would not become generally available until after our January, 2005 meeting.

Base Salary

Our philosophy is to target base salary range midpoints for executive officers near the median compensation levels for comparable positions in the comparison group of companies. The compensation consultant's report found that the base salaries of the CEO and the next four executive officers as a group were much lower than the median salaries at comparison companies. In view of the findings of our compensation consultant, we approved increases in the base salary midpoints for the CEO and other senior officers and also increased their 2005 base salaries. Taking account of the views of Mr. Culver, we believed we should phase in the increases in the midpoints and the actual base salary increases over time rather than moving near the market median with a single increase.

The particulars of the CEO's increase, which included factors in addition to a market adjustment, are discussed under "Compensation of the Chief Executive Officer" below. The increases for the next four executive officers were effective in March, 2005 and ranged from 10% to 18%. The increases primarily reflected the market adjustment but also included a merit adjustment. In addition, the increases for Messrs. Lauer and Pierzchalski included an amount to compensate them for the elimination of their split dollar life insurance benefits. See "Other Matters - Split Dollar Life Termination" below.

Annual Bonus

The compensation consultant's report found that the Company's annual bonuses were much lower than comparison companies. The report also found that the annual bonus portion of the Company's compensation program as a percentage of total compensation was lower than the comparison group.

In January, 2005, we approved an increase in bonus opportunities. However, we deferred implementing the increase until we had developed an overall bonus framework that had ROE (return on equity) as a significant element. In May, 2005, we approved a bonus framework including an ROE component that was applicable to the Company's executive officers. This framework provides bonuses will continue to be determined in our discretion taking account of:

the ROE criteria set forth in the table below,

the Company's actual financial and other results for the year compared to the goals presented to and approved by our Committee in January of the year,

the business environment in which the Company operated during the year,

individual officer performance (we and the Board have regular contact not only with the CEO, but also with each of the next four executive officers), and

recommendations by the Chief Executive Officer (except in regard to his own bonus).

ROE Criteria

| ROE | CEO (Base Salary Multiple) | Executive Vice Presidents and General Counsel (Base Salary Multiple) | Other Executive Officers (Base Salary Multiple) |
|--------------|---|---|--|
| => 20% | 3X | 2.25X | 1.8X |
| =>10% -< 20% | >1 -< 3X | >0.75 -< 2.25X | >0.6 -< 1.8X |
| 5% -< 10% | Up to 1X | Up to 0.75X | Up to 0.6X |
| <5% | 0X | 0X | 0X |

Note: Interpolation between ROE thresholds is not necessarily linear.

The maximum bonus that can be paid to the CEO and the next four executive officers is limited by the formula discussed under **Tax Deductibility Limit** below.

The bonus framework increased the target bonus opportunity by 50%. We kept the maximum bonus indicated in the first row of the ROE Criteria table at twice the target level.

As has been the case beginning with bonuses for 2001 performance, the CEO and other executive officers could elect to receive restricted stock vesting through continued employment in one year for up to one-third of the bonus amount (base restricted stock). If base restricted stock is elected, the executive officer will be awarded one and one-half shares of restricted stock vesting in three years through continued employment for each share of base restricted stock. The Committee adopted this portion of the executive compensation program to align the interests of management and shareholders by taking an amount that otherwise would be paid in cash and paying it in restricted equity. The matching restricted stock does not count against the bonus maximum in the ROE Criteria table. The value of matching restricted stock was not included when the compensation consultant evaluated the Company's executive compensation program against the comparison group of companies. The consultant's rationale was that the matching restricted stock converted a non-forfeitable annual bonus amount into one that was forfeitable during a three-year period. The consultant observed conversions of this type were rare in executive compensation practice. The consultant's rationale made sense to us.

We discuss under **Compensation of the Chief Executive Officer** below how we determined the CEO's bonus, including his bonus as a percentage of his maximum bonus opportunity under the ROE portion of the bonus framework. The next four executive officers received the same percentage of their maximum bonus opportunity as Mr. Culver, except for Mr. Pierzchalski, who received a higher percentage. The bonuses of these executive officers were suggested by Mr. Culver based on his subjective evaluation of their performance, including his perception of their contributions to the Company. We approved these bonuses without change. Mr. Culver and each of these officers elected to have one-third (the maximum amount) of their bonuses paid in the form of restricted equity.

Compensation of the Chief Executive Officer below shows the amount of Mr. Culver's cash bonus and his base and matching restricted stock awards. The cash bonus amounts for the next four executive officers are shown in the Summary Compensation Table elsewhere in this proxy statement. The total of their base and matching restricted stock award is shown in footnote (2) to that table.

Longer-Term Incentives

The longer-term portion of the Company's executive compensation program during 2003 and 2004 consisted of stock options and restricted stock that vested annually based on achievement of a performance goal related to earnings per share. Any restricted shares not vesting by the fifth anniversary of the award are forfeited.

The compensation consultant's report determined that the value of the Company's longer-term incentives was slightly below the median level. In making this determination, the consultant assumed, based on past data, a 25% future forfeiture rate for performance restricted stock. The consultant also found the Company's mix of total compensation (base salary, annual bonus and longer-term incentives) was more heavily weighted to longer-term

incentives than

at comparison companies. Also, the Company's longer-term incentives were more heavily weighted towards performance goals than was typical.

After considering the consultant's findings, in January, 2005 we decided we would not grant stock options in 2005. Rather, we substituted restricted stock that would vest over five years through continued employment. We intended to award the same value in restricted stock as had previously been awarded through stock options. Stock awards made after the adoption of the 2002 Stock Incentive Plan by shareholders have been made under that Plan. At the 2005 annual meeting, shareholders approved an increase in the number of shares that could be awarded under that Plan as restricted stock and RSUs and reduced the overall number of shares that could be awarded under that Plan.

We also continued in 2005 awards of restricted stock that vest annually based on achievement of a performance goal related to earnings per share. The ratio of restricted stock that vests based on achievement of a performance goal to restricted stock that vests based on continued employment is 1-1/3:1.

We discuss under "Compensation of the Chief Executive Officer" below the time vested and performance vested restricted equity awarded to Mr. Culver in 2005. The time vested and performance vested restricted equity awarded to the next four executive officers is shown in footnote (2) to the Summary Compensation Table and in the "Long-Term Incentive Plans Awards in 2005" table elsewhere in this proxy statement.

Compensation of the Chief Executive Officer

We believe the following tally sheet will be useful to shareholders in analyzing Mr. Culver's compensation for 2005. All shares of restricted stock shown under "Bonus" are valued at the closing price on January 25, 2006, when we awarded that stock, and all shares of restricted equity shown under "Restricted equity" are valued at the closing price on January 26, 2005, when we awarded that equity.

| | |
|-------------|------------|
| Base salary | \$ 726,923 |
| Bonus: | |