

RADIAN GROUP INC
Form 11-K
June 30, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED),

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-11356

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

RADIAN GROUP INC.

1601 Market Street

Philadelphia, PA 19103

RADIAN GROUP INC.
SAVINGS INCENTIVE PLAN

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INDEPENDENT AUDITORS REPORT

To the Benefit Administration Committee and

Participants of the Radian Group Inc.

Savings Incentive Plan

Philadelphia, Pennsylvania:

We have audited the accompanying statements of net assets available for benefits of the Radian Group Inc. Savings Incentive Plan (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of December 31, 2002 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. Such supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as whole.

/s/ *DELOITTE & TOUCHE LLP*

DELOITTE & TOUCHE LLP

Philadelphia, Pennsylvania

June 19, 2003

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2002 AND 2001

| | 2002 | 2001 |
|---------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Investments (at fair value): | | |
| Common Stock Fund - Radian Group Inc. | \$ 8,859,980 | \$ 9,614,314 |
| Other investments (Note G) | 15,053,157 | 16,255,341 |
| Loans receivable | 574,284 | 465,172 |
| Employer contribution receivable | 1,668,094 | 1,126,556 |
| Other assets-net | 19,509 | |
| | <u>26,175,024</u> | <u>27,461,383</u> |
| LIABILITIES | | |
| Other liabilities-net | | 29,325 |
| | <u>\$ 26,175,024</u> | <u>\$ 27,432,058</u> |

See notes to financial statements.

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****YEARS ENDED DECEMBER 31, 2002 AND 2001**

| | 2002 | 2001 |
|---|----------------------|----------------------|
| ADDITIONS TO NET ASSETS ATTRIBUTED TO: | | |
| Investment income: | | |
| Loan interest | \$ 32,751 | \$ 33,760 |
| Interest and dividends | 383,299 | 156,030 |
| Total investment income | 416,050 | 189,790 |
| Contributions: | | |
| Participants | 3,385,579 | 2,844,721 |
| Employer s | 1,668,094 | 1,126,556 |
| Rollover | 272,013 | 1,676,556 |
| Total contributions | 5,325,686 | 5,647,833 |
| Other additions | 2,100 | 12,021 |
| Total additions | 5,743,836 | 5,849,644 |
| DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO: | | |
| Net depreciation in fair value of investments (Note I) | 4,339,828 | 815,945 |
| Benefits paid to participants | 2,661,042 | 2,120,773 |
| Total deductions | 7,000,870 | 2,936,718 |
| NET (DEDUCTIONS) ADDITIONS | (1,257,034) | 2,912,926 |
| NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF THE YEAR | 27,432,058 | 24,519,132 |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR | \$ 26,175,024 | \$ 27,432,058 |

See notes to financial statements.

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS

A. Accounting Principles

The financial statements of the Radian Group Inc. Savings Incentive Plan (the Plan) are presented on the accrual basis of accounting. Investments are carried at fair value, which is based on quoted market prices. Dividends and interest are recorded when earned. Participant and employer contributions are recorded in the period to which they are applicable. Brokerage commissions, and other expenses incurred in connection with the purchase or sale of securities, and all other costs and expenses of the Plan are charged directly to the Plan.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results may differ from those estimates and assumptions.

B. Plan Description

The information in these notes contain a brief overview of the Plan. Participants should refer to the Plan documents for a complete description of the Plan.

The Plan became effective on November 6, 1992, concurrent with the initial public offering of CMAC Investment Corporation's (CMT) common stock. Prior to that date, employees of Commonwealth Mortgage Assurance Company (CMAC) participated in a similar plan offered by CMAC's former parent. On April 1, 1993, account balances of CMAC employees from the prior plan were transferred to a separate trust, which became part of the Plan.

On November 22, 1998, the Board of Directors of CMT and the Board of Directors of Amerin Corporation (Amerin) each approved an Agreement and Plan of Merger pursuant to which CMT and Amerin merged with CMT surviving. The merger was effective June 9, 1999 after approval by the stockholders of both companies, at which time CMT was renamed Radian Group Inc. (Radian). At the same time, CMT's main operating subsidiary, CMAC, was renamed Radian Guaranty Inc. (Radian Guaranty). From the date of merger until their termination on September 30, 1999, the remaining Amerin Guaranty Corporation (Amerin Guaranty) employees continued to contribute to the Amerin 401(k) Plan. Any Amerin Guaranty employees that transferred to Radian Guaranty effective with the merger began to contribute to the Plan on June 9, 1999. Subsequent to June 29, 2001, \$1.1 million in balances from Amerin Guaranty employees that remained in the Amerin 401(k) Plan were converted to the Plan unless a distribution could be made to the employee.

On August 6, 2002, the Board of Directors of Radian approved an amendment to the Plan to allow for catch-up contributions in accordance with, and subject to the limitations of, Internal Revenue Code Section 414 (vi) effective October 1, 2002 as well as other changes permitted under the Economic Growth and Tax Relief Reconciliation Act of 2001. In addition, the Board of Directors approved the merger of the Enhance Financial Services Group Inc. (EFSG) 401(k) Savings Plan (the Financial Guaranty Plan) into the Plan effective January 1, 2003 and provided for the participation in the Plan of all Financial Guaranty Plan participants who had plan accounts transferred from the Financial Guaranty Plan to the Plan. It also provided that such participants would be given vesting credit under the Plan for all service completed with EFSG before the merger.

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS Continued

The Plan is a defined contribution plan designed to allow eligible employees of Radian Group, Radian Guaranty, RadianExpress.com Inc., Radian Insurance Inc., Radian Services LLC, and, subsequent to January 1, 2003, Radian Reinsurance Inc. and Singer Asset Finance Company, LLC to save for their retirement. Full-time employees, upon completion of 90 days employment, and part-time employees, employed for at least 90 consecutive days, are eligible to join the Plan. Effective January 1, 2003, all participant contributions from 1% to 25% are made on a salary reduction basis. Prior to January 1, 2003, participants could contribute from 1% to 15% of their compensation to the Plan.

Additional limitations may be imposed under the Plan on the amount of salary reduction contributions and after-tax savings contributions that may be elected by highly compensated participants in order to comply with certain non-discrimination requirements of the Internal Revenue Code of 1986 (the Code). The annual limit on salary reduction contributions by a participant is determined from time to time by the Benefit Administration Committee (the Committee) (not to exceed the indexed limitations contained in the Code), which was \$11,000 for 2002 and \$10,500 for 2001. Participant after-tax contributions have not been permitted after January 1, 1994.

C. Administration of the Plan

The Plan is administered by the Committee, which has responsibility for the general operation of the Plan. Members of the Committee are appointed by the Board of Directors of Radian for indefinite terms and may resign or be removed at any time. Members of the Committee serve without compensation for their service. As such, Radian indemnifies such members to the extent determined by its Board of Directors.

Although Radian expects to continue the Plan, the right to amend or terminate the Plan is reserved. In the event of Plan termination, all benefits become fully vested and nonforfeitable and the net assets of the Plan would be allocated as required by the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and the Plan document.

D. Matching Contributions

Radian makes an annual matching contribution to a separate Incentive Account with respect to the salary reduction contributions of each participant, subject to a limit of six percent (as of January 1, 2003) of the participant's base salary in any pay period. In 2002 and 2001, the limit was five percent of the participant's base salary. For every dollar a participant contributes to the Plan (not exceeding a total of six percent of base salary in any pay period) and does not withdraw before the close of the Plan year (calendar year), Radian will make a contribution of at least \$0.25. In 2002 and 2001, Radian made contributions of 100% of each participant's contributions, up to a maximum of five percent of each participant's base salary.

Matching contributions generally must be made no later than the last date on which amounts so paid may be deducted for Federal income tax purposes. In order to be entitled to the matching contribution for a Plan year, a participant must be employed by Radian on the last working day of the Plan year, be on an authorized leave of absence (provided the participant has not withdrawn his current year contribution) or be entitled to receive a distribution of the participant's account following the participant's retirement, death or disability in the relevant Plan year.

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Matching contributions, which may be made with Radian common stock, will be invested in the Common Stock Fund (see Note F) or some other investment or a combination thereof as determined by the Board of Directors of Radian or a committee thereof. Prior to the making of matching contributions for each year, the Board of Directors or committee thereof will make a one-time determination regarding the investment of the employer matching contributions for such year. All matching contributions for the years ended December 31, 2002 and 2001 were invested in the Common Stock Fund.

After the close of any year, Radian may, in its sole discretion, make a supplemental matching contribution. For every eligible dollar the participants contributed to the Plan during the years ended December 31, 2002 and 2001, Radian made supplemental matching contributions of \$0.75 per participant in Radian common stock. For the year ended December 31, 2002, Radian utilized \$142,136 of forfeiture assets held in the MFS Money Market Fund at December 31, 2002 to fund a portion of the 2002 Radian matching contribution. For the year ended December 31, 2001, Radian utilized \$389,864 of forfeiture assets held in the MFS Money Market Fund at December 31, 2001 to fund a portion of the 2001 Radian matching contribution.

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS Continued

E. Vesting

The rights of a participant to savings contributions made by the participant and salary reduction contributions made by Radian on the participant's behalf, and any earnings thereon, are at all times fully vested and nonforfeitable. Matching contributions, and any earnings thereon, become vested based on such participant's years of vesting service. A participant earns one year of vesting service for each Plan year in which such participant completes at least 1,000 hours of service.

Participants become vested under the following schedule:

| Years of Service | Vested Percentage of the Participant's Incentive Account |
|-------------------|--|
| Less than 2 | 0% |
| 2 but less than 3 | 20% |
| 3 but less than 4 | 40% |
| 4 but less than 5 | 60% |
| 5 but less than 6 | 80% |
| 6 or more | 100% |

Employees of EFSG who were eligible to participate in the Financial Guaranty Plan prior to 1/1/2003 will retain the Financial Guaranty Plan vesting schedule as follows:

| Years of Service | Vested Percentage of the Participant's Incentive Account |
|-------------------|--|
| Less than 1 | 0% |
| 1 but less than 2 | 33% |
| 2 but less than 3 | 68% |
| 3 or more | 100% |

Newly eligible employees of EFSG will follow the Plan vesting schedule.

F. Investment Options

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All assets in the Plan other than those in the Common Stock Fund are invested in various funds offered by Massachusetts Financial Services (MFS). A description of the investment options available under the Plan is as follows:

(a) *MFS Money Market Fund* A conservative fund that provides liquidity and a short-term variable interest rate.

(b) *MFS Emerging Growth Fund* This fund seeks long-term growth of capital primarily through common stocks of small and medium-sized companies (at least 80% under normal circumstances) early in their lifecycle.

(c) *MFS Bond Fund* The fund's primary investment objective is to provide as high a level of current income as is believed to be consistent with prudent investment risk. The fund's secondary objective is to protect shareholders' capital.

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS Continued

(d) *MFS Total Return Fund-A* The fund seeks above average income (compared to a portfolio entirely invested in equity securities) consistent with the prudent employment of capital. The fund also seeks long-term growth of capital and income. The portfolio consists of diverse securities and varies the percentage of assets invested in any one type.

(e) *Massachusetts Investors Trust* This fund invests in stocks that offer both current income and the potential for long-term growth of capital and future income. The portfolio holds primarily quality stocks representing many well-known companies across a wide range of industries.

(f) *Massachusetts Investors Growth Stock Fund* This fund seeks long-term growth of capital and future income, rather than current income, by investing in common stocks or convertible securities of large companies exhibiting above-average prospects for long-term growth.

(g) *MFS Research Fund* This fund seeks long-term growth of capital and future income by investing in common stock and convertible securities of large companies that are fairly representative of the overall stock market in both size and price.

(h) *MFS Capital Opportunities Fund* This fund seeks primarily capital appreciation by investing in common stocks of large companies that are fairly representative of the overall stock market in both size and price.

(i) *MFS Global Equity Fund* This fund seeks long-term growth of capital by investing in equities issued by both foreign and domestic companies. The portfolio is comprised of approximately one-third U.S. assets, one-third European assets and 10% Japanese assets, with the remainder divided among developed nations and emerging markets.

(j) *MFS New Discovery Fund* This fund seeks long-term growth of capital primarily through common stocks of companies with small market capitalizations in emergent industries or early in their growth stages.

(k) *Common Stock Fund* The assets of the Common Stock Fund, including earnings thereon, are invested in Radian common stock purchased by or contributed by Radian. Radian common stock is purchased at prevailing market prices in the open market, or in privately negotiated transactions. In the normal course of business, such stock is sold only to meet administrative and distribution requirements of the Plan. The value of this fund fluctuates based on the market price of Radian common stock.

The selection of investment options, which may be done in increments of 1% in any one of the above-mentioned funds, pursuant to the Plan, with the exception of Employer matching contributions, is the sole responsibility of each participant. Neither the trustee nor the Employer have any responsibility to select investment options or to advise participants in selecting their investment options. However, the trustee and the Plan Sponsor, in their fiduciary roles, have a responsibility to ensure that proper investments are available to the Plan participants. Subject to applicable provisions of law, each participant assumes all risks connected with any decrease in the market value of any securities in the funds,

and such funds shall be the sole source of payments to be made under the Plan.

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN**NOTES TO FINANCIAL STATEMENTS Continued****G. Other Investments**

Other investments consist of the following:

| | December 31, 2002 | | December 31, 2001 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| MFS Money Market Fund | \$ 3,325,302 | \$ 3,325,302 | \$ 2,941,823 | \$ 2,941,823 |
| MFS Emerging Growth Fund | 1,692,643 | 2,153,984 | 2,230,617 | 3,266,333 |
| MFS Bond Fund | 1,528,014 | 1,931,361 | 1,116,709 | 1,477,599 |
| MFS Total Return Fund A | 3,062,238 | 2,840,544 | 2,867,891 | 2,886,132 |
| Massachusetts Investors Trust | 1,792,178 | 1,886,632 | 2,100,145 | 2,530,881 |
| Massachusetts Investors Growth Stock Fund | 1,141,745 | 771,951 | 930,413 | 734,317 |
| MFS Research Fund | 324,940 | 226,483 | 301,816 | 237,456 |
| MFS Capital Opportunities Fund | 1,462,974 | 987,561 | 1,377,481 | 1,183,796 |
| MFS Global Equity Fund | 428,599 | 372,732 | 366,967 | 327,768 |
| MFS New Discovery Fund | 814,578 | 556,607 | 770,553 | 669,236 |
| Total Other Investments | \$ 15,573,211 | \$ 15,053,157 | \$ 15,004,415 | \$ 16,255,341 |

H. Withdrawals

Participants are permitted to make withdrawals in accordance with Plan provisions. The minimum withdrawal permitted is the lesser of \$500 or the full value of the participant's applicable account.

All amounts attributable to savings contributions must be withdrawn prior to any hardship withdrawal of amounts attributable to matching contributions or salary reduction contributions.

The Plan's hardship withdrawal rules comply with the Code. In order to make a hardship withdrawal, a participant must exhaust the possibility of all other withdrawals (other than hardship withdrawals) under the Plan and all such withdrawals and nontaxable loans available under all other retirement plans maintained by Radian and its affiliates. Earnings credited after 1988 on salary reduction contributions are not available for hardship withdrawals, even if the contributions were made before 1989. Upon receiving a hardship distribution, a participant is generally suspended from making salary reduction contributions and savings contributions to the Plan (and all other deferred compensation plans maintained by Radian and its affiliates) for six months following the year of the hardship withdrawal.

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN**NOTES TO FINANCIAL STATEMENTS Continued****I. Net Depreciation in Fair Value**

Net (depreciation) appreciation in fair value of investments for the year ended December 31, 2002 consisted of:

| | | |
|-----|---|----------------|
| MFS | Money Market Fund | \$ (75) |
| MFS | Emerging Growth Fund | (1,169,379) |
| MFS | Bond Fund | 44,948 |
| MFS | Total Return Fund A | (275,101) |
| MFS | Massachusetts Investors Trust | (587,551) |
| MFS | Massachusetts Investors Growth Stock Fund | (246,671) |
| MFS | Research Fund | (71,032) |
| MFS | Capital Opportunities Fund | (389,363) |
| MFS | Global Equity Fund | (49,363) |
| MFS | New Discovery Fund | (238,280) |
| | Radian Common Stock Fund | (1,357,961) |
| | | (4,339,828) |
| | Net Depreciation in Fair Value | \$ (4,339,828) |

J. Loans

Participants may borrow from the Plan in an amount up to 50% of their vested balance. The maximum loan amount is \$50,000 as set forth by the IRS and U.S. Department of Labor regulations. The minimum loan allowed by the Plan is \$1,000. Loans are repaid via payroll deductions including interest at the prime rate plus 1% over a maximum five-year period, except loans that are used toward the purchase of a primary residence can be repaid over a longer time period.

K. Federal Tax Considerations

The Plan received a favorable determination letter from the IRS dated September 11, 2002, with respect to the Plan's continued tax qualified status upon its amendment to comply with the GUST laws, the Internal Revenue Service Restructuring and Reform Act of 1998 and the Community Renewal Tax Relief Act of 2000. The Committee and the Plan's tax counsel believe that the Plan continues to comply in form and operation with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements.

L. Schedule of Investments Greater than Five Percent of Net Assets (at fair value)

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The following presents investments that represent five percent or more of the Plan's net assets.

| | 2002 | 2001 |
|-------------------------------|--------------|--------------|
| MFS Money Market Fund | \$ 3,325,302 | \$ 2,941,823 |
| MFS Emerging Growth Fund | 2,153,984 | 3,266,333 |
| MFS Bond Fund | 1,931,361 | 1,477,599 |
| MFS Total Return Fund - A | 2,840,544 | 2,886,132 |
| Massachusetts Investors Trust | 1,886,632 | 2,530,881 |
| Common Stock Fund | 8,859,980 | 9,614,314 |

RADIAN GROUP INC. SAVINGS INCENTIVE PLAN

Schedule H, Item 4i: Schedule of Assets Held for Investment Purposes

December 31, 2002

| Identity of Issuer | Description of Investment | Number of Shares | Cost | Current Value |
|-----------------------|---|---------------------|---------------------|---------------------|
| MFS | Money Market Fund | 3,325,302 | 3,325,302 | 3,325,302 |
| MFS | Emerging Growth Fund | 100,419 | 1,692,643 | 2,153,984 |
| MFS | Bond Fund | 152,677 | 1,528,014 | 1,931,361 |
| MFS | Total Return Fund A | 214,058 | 3,062,238 | 2,840,544 |
| MFS | Massachusetts Investors Trust | 146,591 | 1,792,178 | 1,886,632 |
| MFS | Massachusetts Investors Growth Stock Fund | 83,635 | 1,141,745 | 771,951 |
| MFS | Research Fund | 16,017 | 324,940 | 226,483 |
| MFS | Capital Opportunities Fund | 105,735 | 1,462,974 | 987,561 |
| MFS | Global Equity Fund | 22,359 | 428,599 | 372,732 |
| MFS | New Discovery Fund | 48,697 | 814,578 | 556,607 |
| Radian* | Common Stock Fund | 565,587** | 9,211,453 | 8,859,980 |
| | Loans receivable @ 4.75% to 10.50% | | 574,284 | 574,284 |
| TOTAL | | | \$25,358,948 | \$24,487,421 |

* Indicates party-in-interest to the Plan.

** Amount represents units based on third party independent report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Benefit Administration Committee has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

RADIAN GROUP INC.

SAVINGS INCENTIVE PLAN

By: Benefit Administration Committee

By: /s/ FRANK P. FILIPPS

Frank P. Filippis

/s/ C. ROBERT QUINT

C. Robert Quint

Date: June 27, 2003

Exhibit Index

| Exhibit No. | Description |
|--------------------|--|
| 23 | Independent Auditors' Consent |
| 99 | Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |