

RADIAN GROUP INC
Form DEF 14A
April 18, 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

Filed by a Party other than the Registrant

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

Radian Group Inc.

(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):

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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Radian Group Inc.

1601 Market Street

Philadelphia, Pennsylvania

19103-2337

800 523.1988

215 231.1000

April 18, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Radian Group Inc., which will be held at Radian's offices at 1601 Market Street, 11th Floor, Philadelphia, Pennsylvania 19103-2337, at 9:00 a.m. EDT on Tuesday, May 9, 2006. The accompanying Notice of 2006 Annual Meeting of Stockholders and Proxy Statement describe the items to be considered and acted upon by the stockholders at the meeting.

Whether or not you plan to attend the upcoming meeting, please sign, date and return the enclosed proxy card as soon as possible so that your shares can be voted in accordance with your instructions. If you attend the meeting, you may revoke your proxy, if you wish, and vote personally. Because the representation of stockholders at the meeting is very important, we thank you in advance for your participation.

Sincerely,

Howard S. Yaruss

Secretary

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RADIAN GROUP INC.

1601 Market Street

Philadelphia, Pennsylvania 19103-2337

www.radian.biz

NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON

May 9, 2006

The 2006 Annual Meeting of Stockholders of Radian Group Inc., a Delaware corporation, will be held at Radian's offices at 1601 Market Street, 11th Floor, Philadelphia, Pennsylvania 19103-2337, at 9:00 a.m. EDT on Tuesday, May 9, 2006 for the following purposes:

1. To elect ten directors for terms of one year each, to serve until their successors have been duly elected and qualified;
2. To consider and vote on a proposal to amend Radian's Equity Compensation Plan to extend the term of the plan from December 31, 2006 through December 31, 2008;
3. To ratify the selection of Deloitte & Touche LLP as Radian's independent auditors for the year ending December 31, 2006; and
4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only stockholders of record as of the close of business on March 14, 2006 will be entitled to notice of the annual meeting and to vote at the annual meeting and any adjournments or postponements thereof. A list of stockholders entitled to vote at the meeting will be available for inspection during normal business hours beginning April 28, 2006 at Radian's offices at 1601 Market Street, 11th Floor, Philadelphia, Pennsylvania 19103-2337.

By Order of the Board of Directors,

Howard S. Yaruss

Secretary

Philadelphia, Pennsylvania

April 18, 2006

EACH STOCKHOLDER IS URGED TO COMPLETE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. GIVING A PROXY DOES NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU CHOOSE TO ATTEND THE MEETING. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED.

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RADIAN GROUP INC.

1601 Market Street

Philadelphia, Pennsylvania 19103-2337

www.radian.biz

PROXY STATEMENT

FOR

2006 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON

May 9, 2006

Radian's board of directors is furnishing this proxy statement to solicit proxies for use at the 2006 Annual Meeting of Stockholders of Radian Group Inc. A copy of the notice of annual meeting accompanies this proxy statement. This proxy statement and the accompanying proxy card are being mailed to stockholders beginning approximately April 18, 2006 in order to furnish information relating to the business to be transacted at the meeting.

INFORMATION ABOUT VOTING

Who Can Vote

March 14, 2006 is the record date for the annual meeting. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the meeting. On the record date, 83,290,347 shares of our common stock were outstanding. Each stockholder is entitled to one vote for each share of common stock owned of record at the close of business on the record date. No other class of our stock is outstanding, so no other class is entitled to vote at the meeting.

How Voting Works

The only way your shares can be voted on all of the proposals to be considered at the meeting is if you vote your shares in person at the meeting or authorize the voting of your shares by proxy. If you hold your shares through a broker (in street name), your broker will have provided you

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with instructions for voting your shares. The shares represented by a validly completed proxy card will be voted at the meeting in accordance with the instructions given on the proxy card. If you complete your proxy card properly, but do not give instructions on your proxy card as to how to vote your shares, your shares will be voted For the election of all directors nominated by our board of directors (Proposal 1) (and, if unforeseen circumstances make it necessary for our board of directors to substitute another person for any of the nominees, your shares will be voted for that other person), For the approval of the amendment to Radian's Equity Compensation Plan (Proposal 2) and For the ratification of the selection of Deloitte & Touche LLP as Radian's independent auditors (Proposal 3).

You may revoke your proxy at any time before it is voted by providing to our Secretary a written instrument revoking it or a duly executed proxy bearing a later date. You also may revoke your proxy by attending the annual meeting and giving notice of revocation. Attendance at the meeting, by itself, will not constitute revocation of a proxy.

Your voting instructions will remain confidential except (1) if you indicate otherwise in your instructions, (2) to allow the independent inspectors of election to certify the results of the vote on each matter, (3) in case of a contested proxy solicitation, or (4) as necessary to meet legal requirements or to assert or defend claims against Radian.

Your vote is important to Radian. We encourage you to complete, sign and return the proxy card accompanying this proxy statement even if you plan to attend the meeting. You can always change your vote before the meeting or at the meeting, as described above.

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Votes Required for Approval

A quorum is necessary to conduct the business of the meeting. This means that holders of at least a majority of the shares entitled to vote must be present at the meeting, either in person or represented by proxy.

Assuming a quorum is present, the ten nominees for director receiving the highest number of For votes will be elected (Proposal 1). In the election of directors, votes may be cast For or Withheld. Votes that are withheld will be considered present for purposes of determining whether a quorum exists, but will be excluded entirely from the vote and will have no effect on the outcome.

Again assuming a quorum is present, the amendment to extend Radian's Equity Compensation Plan (Proposal 2) and the ratification of the selection of Radian's independent auditors (Proposal 3) each will be approved upon the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on such proposal. In addition, with respect to Proposal 2, under the listing requirements of the New York Stock Exchange (the NYSE), (1) at least a majority of the common stock outstanding and entitled to vote at the meeting must actually be voted on the proposal, and (2) votes in favor must constitute at least a majority of the votes cast.

Abstentions may not be specified for the election of directors (Proposal 1). Abstentions may be specified on Proposal 2 regarding the amendment to extend Radian's Equity Compensation Plan and on Proposal 3 regarding ratification of the selection of Radian's independent auditors. Abstentions will be considered present for purposes of determining whether a quorum exists, and will be counted as shares entitled to vote and as votes cast on such proposals. Accordingly, because they will not be counted as votes cast For Proposal 2 or Proposal 3, abstentions will have the same effect as votes Against such proposals.

A broker non-vote occurs when a member firm of the NYSE holding shares in street name for its customer votes the customer's shares on one or more, but not all, matters on the proxy card because the broker did not receive instructions from its customer as to how to vote on the unvoted matter(s) and does not have authority to vote on the matter(s) without instructions from the customer. The missing vote on each such matter is the broker non-vote. Under the Delaware General Corporation Law, our by-laws and the NYSE listing requirements, all broker non-votes received at the meeting would:

- (1) be considered present for purposes of determining a quorum, but not be considered to represent shares entitled to vote or votes cast;
- (2) have no effect on the outcome of the election of directors, which requires the affirmative vote of a plurality of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors;
- (3) have no effect on the outcome of the vote on any matter the approval of which requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on such matter; and
- (4) have the effect of a vote against any matter the approval of which requires the affirmative vote of a majority of the outstanding shares entitled to vote on that matter (no such matter has been proposed for this year's meeting).

Brokers have the authority to vote their customers' shares with respect to the election of directors (Proposal 1) and the ratification of the selection of Radian's independent auditors (Proposal 3) even if you do not instruct your broker how to vote on these matters. Brokers do not have authority

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to vote their customers' shares with respect to the proposal to approve the amendment to Radian's Equity Compensation Plan (Proposal 2) unless instructed how to vote.

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that, in the absence of instructions to the

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contrary, only one copy of our proxy statement or annual report may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you request one by (1) writing to: Radian Group Inc., Investor Relations, 1601 Market Street, Philadelphia, Pennsylvania 19103-2337 or (2) calling our Investor Relations department at (215) 231-1486. If you want to receive separate copies of the annual report and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address.

Where to Find Voting Results

We will announce the voting results at the conclusion of the annual meeting, and we will publish the voting results in our Quarterly Report on Form 10-Q for the second quarter of 2006, which we intend to file with the Securities and Exchange Commission (SEC) in early August 2006.

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PROPOSALS REQUIRING YOUR VOTE

The proposals described below will be voted on at the meeting.

Proposal 1: Election of Directors

Our board of directors currently consists of eleven directors, each serving a one-year term, including two members of management – Sanford A. Ibrahim, Radian’s Chief Executive Officer, and Roy J. Kasmar, Radian’s President and Chief Operating Officer. During 2005, in connection with Radian’s transition to a new Chief Executive Officer effective May 4, 2005, our board of directors split the roles of Chief Executive Officer and Chairman and appointed Herbert Wender as the non-executive Chairman of the Board. In the interest of further increasing board independence in 2006, our board of directors, upon the recommendation of the Governance Committee of the board, approved the nomination of only one member of Radian’s management – Mr. Ibrahim – to stand for re-election at the annual meeting of stockholders. Mr. Kasmar will continue to serve on the board until the annual stockholders’ meeting at which time the size of the board will be reduced from eleven to ten directors.

Proposal 1 is to elect the following ten nominees for a term beginning at the meeting and expiring at the 2007 annual meeting of stockholders or until the election and qualification of their respective successors or their earlier removal or resignation:

Herbert Wender

David C. Carney

Howard B. Culang

Stephen T. Hopkins

Sanford A. Ibrahim

James W. Jennings

Ronald W. Moore

Jan Nicholson

Robert W. Richards

Anthony W. Schweiger

All of the nominees were elected at the 2005 annual meeting of stockholders to one-year terms. For information regarding the director nominees, see the section of this proxy statement entitled “Corporate Governance Matters – Members of the Board of Directors Nominated for Re-election.”

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The nominees have been nominated by our board of directors for re-election at the meeting, and have consented to be named in this proxy statement and to serve if elected.

Recommendation of the Board of Directors

Our board of directors unanimously recommends a vote **FOR** the election of the director nominees.

Proposal 2: Amendment to Extend Radian's Equity Compensation Plan

On February 7, 2006, upon the recommendation of the Compensation and Human Resources Committee of our board of directors, the board adopted an amendment to Radian's Equity Compensation Plan that would, subject to stockholder approval, extend the term of the plan by two years, from its current expiration date of December 31, 2006 through December 31, 2008.

The Equity Compensation Plan provides Radian with various forms of equity compensation, described below, to attract, retain and motivate its officers, other key employees and directors. The Equity Compensation Plan currently is the only plan under which Radian can grant stock options and other equity awards.

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A summary of the proposed amendment to Radian's Equity Compensation Plan is set forth below, followed by a general description of the plan. The summary and description are qualified in their entirety by reference to the full text of the plan, a copy of which, as proposed to be amended and restated, is attached as Appendix A to this proxy statement.

Summary of Proposed Amendment

Extension of Plan Term. The current term of the plan expires on December 31, 2006. Under the amended plan, the expiration date of the plan would be extended by two years, from December 31, 2006 through December 31, 2008. If Proposal 2 is approved, our board of directors intends to consider, prior to December 31, 2008, whether to seek stockholder approval for a further extension of the plan, or for a new plan. Neither the proposed extension of the term of the plan, nor the expiration of the plan, would have any effect on the term of outstanding stock options, phantom stock or other awards under the plan.

Remainder of Plan Unchanged. The proposed amendment would not increase the number of shares of our common stock available under the plan, or amend any other provision of the plan as currently in effect.

Description of the Plan

General. The plan authorizes the issuance of up to 9,400,000 shares of our common stock, of which there are approximately 2,300,000 shares remaining available for grants under the plan. As of April 12, 2006, the closing price of our common stock on the NYSE was \$60.66 per share. Any shares subject to options or stock appreciation rights granted under the plan that terminate, expire or are cancelled without being exercised, and any shares of restricted stock or phantom stock that are forfeited, will become available for reissuance under the plan.

Administration of the Equity Compensation Plan. The plan provides that it shall be administered by a committee of our board of directors, with grant decisions made by at least two non-employee directors. The Compensation and Human Resources Committee of our board of directors has been appointed by the board to administer the plan. The committee has the sole authority to determine:

who is eligible to receive awards granted under the plan;

the type, size and terms of the awards;

when the awards will be granted and the duration of any exercise or restriction period;

any restrictions on resale applicable to the shares to be issued or transferred pursuant to a grant; and

any other matters arising under the plan.

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Grants. Awards under the plan may consist of incentive stock options within the meaning of Section 422 of the Internal Revenue Code (referred to as *ISOs*), non-qualified stock options (referred to as *NQSOs*), restricted stock grants, stock appreciation rights (referred to as *SARs*), phantom stock and performance share awards. To date, all awards granted under the plan have been in the form of *NQSOs*, restricted stock and phantom stock.

Eligibility for Participation. Officers and other employees of Radian (or its affiliates) are eligible to participate in the plan. Non-employee directors are eligible to participate in the plan, but are not permitted to receive grants of *ISOs*. As of April 1, 2006, all nine non-employee directors, nine executive officers and approximately 475 other employees participated in the plan. Under the plan, no grantee may receive options (and related stock appreciation rights) for more than 150,000 shares of our common stock for any calendar year.

Purchase Price, Term, Vesting and Method of Exercise of Stock Options. The plan provides that the exercise price of our common stock subject to an *ISO* or *NQSO* shall not be less than its fair market value on the

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date the option is granted. If the grantee of an ISO owns more than 10% of the total combined voting power of all classes of our stock, the exercise price of the ISO must not be less than 110% of the fair market value of a share of our common stock on the date the option is granted.

The Compensation and Human Resources Committee determines the term for each option, up to a 10-year maximum (except the term of an ISO may not exceed five years if the grantee owns more than 10% of the total combined voting power of all classes of our stock). Unless otherwise specified in the grant letter, each option vests ratably over four years, beginning one year after the date of grant. As long as the grantee is still with Radian, if not sooner vested by its terms, each option fully vests upon the earliest of:

the grantee's normal retirement date;

five years from the date of the grant;

the grantee's death or disability; or

the occurrence of a change of control of Radian.

A grantee may pay the option price in cash or, with the consent of the Compensation and Human Resources Committee, shares of our common stock, or by making other arrangements satisfactory to us. Radian has not granted any ISOs under the plan.

Phantom Stock. The Compensation and Human Resources Committee may grant phantom stock awards under the plan, which entitle the grantee to receive shares of our common stock on a vesting date (referred to in the plan as the conversion date) established by the committee. The phantom stock may be subject to further vesting restrictions, as the committee determines. Unless otherwise provided in a grant letter, if a grantee's relationship with us terminates during any period in which vesting restrictions apply, the phantom stock grant terminates as to all shares covered by the grant as to which vesting restrictions have not lapsed and such shares will be forfeited. Our practice to date has been to grant phantom stock to directors with a vesting date upon the termination of the director's relationship with us. In addition, we are also currently using phantom stock grants to fund the shares to be issued under our Performance Share Plan adopted in 2005. Each share of phantom stock is granted at full value with no exercise price. All phantom stock will be paid in whole shares of our common stock, with fractional shares paid in cash.

Restricted Stock. The Compensation and Human Resources Committee may issue shares of our common stock under a grant of restricted stock under the plan. The shares underlying a grant are issued in consideration for cash or services rendered having a value, as determined by our board of directors, at least equal to the par value of the common stock. If a grantee's relationship with us terminates while the shares are subject to restrictions imposed by the Compensation and Human Resources Committee, the restricted stock grant will terminate with respect to all shares that are subject to restrictions, and such shares must be immediately returned to us. While shares are subject to restrictions, a grantee may not sell, assign, transfer, pledge or otherwise dispose of the shares of our common stock, except to a successor grantee in the event of the grantee's death. All restrictions imposed under a restricted stock grant lapse after the applicable restriction period or as the Compensation and Human Resources Committee may determine.

Stock Appreciation Rights. The Compensation and Human Resources Committee may grant SARs to any grantee in tandem with a stock option for all or a portion of the applicable option, either when the option is granted or, in the case of an NQSO, at any time thereafter while the option remains outstanding. Upon the exercise of an option, the SARs relating to our common stock covered by such option terminate. Upon the exercise of any SARs, the related option terminates to the extent of an equal number of shares of our common stock.

Upon a grantee's exercise of some or all of his or her SARs, the grantee receives in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised, payable in cash, our common stock or a combination thereof. The stock appreciation for an SAR is the difference between the

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exercise price as described below and the fair market value of the underlying common stock on the date of exercise of the SAR. The exercise price of a SAR is either:

the exercise price of the related stock option; or

the fair market value of a share of our common stock on the date of grant of the SAR, if the SAR is granted after the stock option and an exercise price equal to the option price would result in the disallowance of our expense deduction upon exercise of the SAR under Section 162(m) of the Internal Revenue Code.

A SAR is exercisable only for as long as the related stock option is also exercisable. Radian has not granted any SARs under the plan.

Performance Share Awards. The plan also provides for the granting of performance share awards to key employees under our Performance Share Plan adopted in 2005. A performance share award may entitle the grantee to receive shares of common stock, contingent upon the satisfaction of certain performance goals established by the Compensation and Human Resources Committee.

Amendment and Termination of the Plan. Our board of directors may amend or terminate the plan at any time. However, our stockholders and the Compensation and Human Resources Committee must approve any amendment to the extent required by applicable law, the SEC or NYSE regulations.

As proposed to be amended, the plan would terminate on December 31, 2008 unless terminated earlier by our board of directors or further extended by the board with the approval of our stockholders.

Amendment and Termination of Outstanding Grants. A termination or amendment of the plan that occurs after a grant is made will not terminate or amend the grant unless the grantee consents or unless the Compensation and Human Resources Committee revokes or modifies a grant that is contrary to applicable law. The plan prohibits the repricing of grants without stockholder approval, except for exchanges in connection with a merger, consolidation, acquisition, reorganization, spin-off or other corporate transaction.

Adjustment Provisions; Change of Control of Radian. The number or kind of shares of our common stock may change as a result of changes made to our common stock by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, exchange of shares or any other change in capital structure made without receipt of consideration.

If any such event happens, the number of shares of our common stock available for grants, the number of such shares covered by outstanding grants and the price per share or the applicable market value of such grants will be proportionately adjusted by the Compensation and Human Resources Committee to reflect any increase or decrease in the number or kind of shares of our common stock.

If a change of control of Radian occurs, (1) all options outstanding under the plan will become immediately vested and exercisable and (2) all restrictions on outstanding restricted stock and phantom stock grants will immediately lapse. A change of control of Radian occurs when:

a person or group, other than an employee, Radian, or an employee benefit plan of Radian or an affiliate, acquires 20% or more of the our shares then outstanding and entitled to vote for directors generally, or acquires substantially all of our assets; or

during any 24-month period, there is a change in the majority of our board of directors, unless at least 75% of the individuals who were directors at the beginning of the 24-month period approve the election or nomination of at least 75% of the new directors.

Federal Income Tax Consequences

The following summarizes the United States federal income tax consequences to grantees and to us of grants made under the Equity Compensation Plan. Grantees are urged to consult with their personal tax advisors concerning the application of the principles discussed below to their own situations and the application of state and local tax laws.

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Non-Qualified Stock Options. There are no federal income tax consequences to grantees or to us upon the grant of an NQSO. Upon the exercise of NQSOs, grantees will recognize ordinary income in an amount equal to the excess of the fair market value of the shares when exercised over the exercise price of the NQSO. We generally will be entitled to a corresponding income tax deduction. Grantees who are employees will be subject to income tax and FICA withholding. Upon the sale of shares acquired upon exercise of an NQSO, a grantee will have a long-term or short-term capital gain or loss in an amount equal to the difference between the amount realized upon the sale and the exercise price, plus the amount of ordinary income recognized by the grantee when the NQSO was exercised.

Incentive Stock Options. Grantees will not be subject to income taxation upon the grant or exercise of ISOs, and we will not be entitled to an income tax deduction by reason of such grant or exercise. However, the amount by which the fair market value of the shares when exercised exceeds the option price is an item of tax preference subject to the alternative minimum tax applicable to the person exercising the ISO. If the grantee disposes of shares acquired upon exercise of an ISO more than one year after the exercise and two years after the grant of the ISO, the grantee will recognize long-term capital gain or loss in the amount of the difference between the amount realized on the sale and the option price, and we will not be entitled to any tax deduction. For this purpose, a disposition of ISO shares includes not only a sale or exchange, but also a gift or other transfer (with certain exceptions such as transfers upon death).

If such a disposition occurs within one year from the date of exercise of the ISO or within two years from the date of grant, the grantee generally will recognize ordinary compensation income (not capital gain) equal to the lesser of the excess of the fair market value of the shares on the date of exercise over the option price, or the excess of the amount realized on the sale of the shares over the option price.

Any amount realized on a sale within one year from the date of exercise of the ISO or within two years from the date of grant in excess of the amount treated as ordinary compensation income (or any loss realized) will be a long-term or a short-term capital gain (or loss), depending upon the length of time the shares were held. We generally will be entitled to a tax deduction on such sale corresponding to the ordinary compensation income recognized by the grantee.

Phantom Stock. The grantee will not recognize income upon the grant of phantom stock. Upon the vesting of phantom stock, the grantee will recognize ordinary compensation income equal to the fair market value of the shares of our common stock and any cash received. We generally are entitled to a corresponding deduction.

Restricted Stock. A grantee normally will not recognize taxable income upon the award of a restricted stock grant, and we will not be entitled to a deduction, until such stock is transferable by the grantee or no longer subject to a substantial risk of forfeiture, whichever occurs earlier. However, a grantee will recognize ordinary compensation income on amounts paid as dividends on shares of restricted stock while the stock remains subject to restrictions. We will be entitled to a deduction in the same amount. When restricted stock is either transferable or is no longer subject to a substantial risk of forfeiture, the grantee will recognize ordinary compensation income in an amount equal to the difference between the fair market value of the common stock at that time and the amount paid by the grantee for the shares, if any, or the grantee's other tax basis in the shares. We will be entitled to a deduction in the same amount. A participant may, however, elect under Section 83(b) of the Internal Revenue Code to recognize ordinary compensation income in the year the restricted stock grant is awarded in an amount equal to the difference between the fair market value of our common stock at that time, determined without regard to the restrictions, and the amount paid by the grantee for the shares, if any. In this event, we generally will be entitled to a deduction in the same year. Any gain or loss recognized by the grantee upon subsequent disposition of our common stock will be capital gain or loss. If, after making the election, any of our common stock subject to a restricted stock grant is forfeited, or if the market value declines during the restriction period, the grantee is not entitled to any tax deduction or tax refund.

Stock Appreciation Rights. The grantee will not recognize any income upon the grant of a SAR. Upon the exercise of a SAR, the grantee will recognize ordinary compensation income in the amount of the cash and the

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fair market value of our shares of common stock received upon such exercise. We generally are entitled to a corresponding deduction.

Section 162(m). Under the Equity Compensation Plan, grants of ISOs, NQSOs with an exercise price not less than fair market value on the date of grant, and related SARs are intended to meet the requirements of performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code.

Recommendation of the Board of Directors

Our board of directors believes that the proposal to approve the amendment to Radian's Equity Compensation Plan is in the best interests of Radian and its stockholders and unanimously recommends a vote **FOR** the proposal.

Proposal 3: Ratification of the Selection of Deloitte & Touche LLP as Radian's Independent Auditors

The Audit and Risk Committee of our board of directors is responsible for selecting an independent registered public accounting firm to perform the annual audit of Radian's financial statements. The Audit and Risk Committee's selection of Deloitte & Touche LLP as Radian's independent auditors for 2006 is being submitted to the stockholders for ratification. Deloitte & Touche LLP also served as Radian's independent auditors for 2005. A representative of Deloitte & Touche LLP is expected to attend the meeting, will have an opportunity to make a statement if he or she desires, and will be available to respond to questions.

If the stockholders fail to ratify the appointment of Deloitte & Touche LLP, the Audit and Risk Committee will reconsider whether or not to retain the firm. You should note that, even if the selection of Deloitte & Touche LLP is approved at the annual meeting, the Audit and Risk Committee, in its discretion, may select new independent auditors at any time during the year if it determines that such a change would be in the best interests of Radian and its stockholders.

For additional information concerning Deloitte & Touche LLP, see [Matters Concerning Our Independent Auditors](#) below.

Recommendation of the Board of Directors

Our board of directors unanimously recommends a vote **FOR** the ratification of the selection of Deloitte & Touche LLP as Radian's independent auditors.

Other Matters to be Acted on at the Meeting

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We do not know of any other matters to be presented or acted on at the meeting. If any other matters are properly presented to the meeting for action, the shares represented by proxies will be voted in accordance with the best judgment of the person or persons voting those shares.

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CORPORATE GOVERNANCE MATTERS

Members of the Board of Directors Nominated for Re-election

The following information is provided with respect to each of our directors who have been nominated for re-election to a new one-year term as a director.

Herbert Wender

Mr. Wender was named non-executive Chairman of Radian's board of directors effective May 1, 2005. From May 1999 until the effective date of his appointment as non-executive Chairman, Mr. Wender served as Lead Director of Radian's board of directors. Mr. Wender served as Chairman of the Executive Committee of Radian's board of directors from May 1999 until the dissolution of this committee by the board of directors in September 2005. He served as the non-executive Chairman of Radian's board of directors from August 1992 to May 1999. He was Chairman of the Board and Chief Executive Officer of Radian Guaranty Inc., Radian's principal mortgage insurance subsidiary, from June 1983 until July 1992. Between 1998 and 2001, Mr. Wender served variously as a director and Vice Chairman of LandAmerica Financial Group, Inc., a title insurance company. Before that, he was Chairman of the Board and Chief Executive Officer of LandAmerica Financial Group's corporate predecessor, Commonwealth Land Title Insurance Company. He has been a director of Radian since July 1992. Age: 68.

David C. Carney

Mr. Carney has served as President of Carney Consulting since March 1995. He served as Executive Vice President of Jefferson Health Systems, the parent company of a regional network of health care providers, from October 1996 until May 1999. Before that, he served as Chief Financial Officer of CoreStates Financial Corp, a banking and financial services holding company. Mr. Carney is a Certified Public Accountant and served as Philadelphia Area Managing Partner for Ernst & Young LLP from 1980 through 1991. Mr. Carney has served as a director of ImageMax, Inc., a provider of outsourced document management solutions, since 1997 and served as Chairman of the board of directors of ImageMax, Inc. from 1999 through December 2003. Mr. Carney also currently serves as a director of AAA Mid-Atlantic and Keystone Insurance companies. He has been a director of Radian since November 1992. Age: 68.

Howard B. Culang

Mr. Culang has been President of Laurel Corporation, a financial services firm, since January 1996. He has been Managing Member of JH Capital Management, a management company for a private equity fund, since July 1998, and Managing Member of Cognitive Capital Management, a management company for a private fund of funds, since January 2001. He has served in the past as Vice Chairman of Residential Services Corporation of America, the holding company for Prudential Home Mortgage, Lender's Service, Inc. and Prudential Real Estate Affiliates, and as a Managing Director and member of the Executive Committee of the Prudential Home Mortgage Company. He has been a director of Radian since June 1999. Age: 59.

Stephen T. Hopkins

Mr. Hopkins is President of Hopkins and Company LLC, a management consulting business he formed in February 1999. From January 1976 to January 1999, he held a number of managerial positions with Federal Home Loan Mortgage Corporation, a government sponsored enterprise that purchases and securitizes qualified mortgage loans, serving as Senior Vice President and National Sales Director from April 1994 through August 1998. He has been a director of Radian since June 1999. Age: 55.

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Sanford A. Ibrahim	Mr. Ibrahim became Radian's Chief Executive Officer effective May 4, 2005. From 1999 until April 2005, Mr. Ibrahim was President and Chief Executive Officer of GreenPoint Mortgage Funding, Inc., a residential mortgage lender. GreenPoint Mortgage Funding, Inc. is a wholly-owned subsidiary of North Fork Bancorporation, Inc. and was a wholly-owned subsidiary of GreenPoint Financial Corp. before its merger with North Fork in 2004. In 1999, Mr. Ibrahim served as Chief Operating Officer of the combined mortgage businesses of GreenPoint Financial Corp. and, from 1997 through 1998, served as an Executive Vice President of GreenPoint Financial Corp. He serves as the non-executive Chairman of the Board of MERSCORP, Inc., a company owned by several mortgage industry participants that is dedicated to implementing an industrywide electronic registry for trading and delivering mortgages in the U.S. Mr. Ibrahim has been a member of the Residential Board of Governors of the Mortgage Bankers Association of America and is a member of the Board of Directors of the California Mortgage Bankers Association and the Institute for International Education. Age: 54.
James W. Jennings	Mr. Jennings was a partner in the Philadelphia office of the law firm of Morgan, Lewis & Bockius LLP from 1970 until his retirement in November 2002. He has been a director of Radian since January 1993. Age: 69.
Ronald W. Moore	Mr. Moore has been an Adjunct Professor of Business Administration at Harvard University, Graduate School of Business Administration, since 1990. Mr. Moore has been a director of Radian since November 1992. Age: 61.
Jan Nicholson	Ms. Nicholson has been President of The Grable Foundation, a private, charitable foundation that is dedicated to helping children and youth through improving their educational opportunities, since 1990. From 1998 to 2000, she was Managing Director of MBIA Insurance Corporation, a financial guaranty insurer, where she oversaw Portfolio Management and Strategic Risk Assessment functions. From 1994 to 1998, Ms. Nicholson was Managing Director in charge of Research and Development for Capital Markets Assurance Corporation, a financial guaranty insurer. Ms. Nicholson has been a director of Ball Corporation, a supplier of metal and plastic packaging products and of aerospace and other technologies, since 1994. Ms. Nicholson has been a director of Radian since 2003. Age: 61.
Robert W. Richards	Mr. Richards was Chairman of the board of directors of Source One Mortgage Services Corporation, a mortgage banking company, from 1989 until his retirement in 1996. He held a number of managerial positions with Source One from 1971 through 1996, serving as President from 1987 to 1989. He has been a director of Radian since November 1992. Age: 63.
Anthony W. Schweiger	Mr. Schweiger is President and Chief Executive Officer of The Tomorrow Group, LLC, a governance and management consulting firm. He also is a Principal of e-brilliance, LLC, an IT consulting firm. Prior to forming The Tomorrow Group, LLC, Mr. Schweiger served at different times as the President and Chief Executive Officer, and Executive Vice President/Chief Operating Officer, of Meridian Mortgage Corporation, a licensed mortgage lender. Mr. Schweiger has been a director of Paragon Technologies, Inc., a manufacturer of material handling machinery, since May 2001. He has been a director of Radian since November 1992. Age: 64.

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Our board of directors has determined that the following members of the board, constituting a majority of the board, are independent under current NYSE listing standards: Mr. Wender, Mr. Carney, Mr. Culang, Mr. Hopkins, Mr. Jennings, Mr. Moore, Ms. Nicholson, Mr. Richards and Mr. Schweiger. In evaluating the independence of each of these directors, the board concluded that no direct or indirect relationship exists between Radian and each of these directors other than those compensatory matters that are a direct consequence of serving on our board of directors and which are detailed below in Compensation of Directors and Executive Officers Director Compensation.

Meetings of the Board of Directors and its Committees

Our board of directors holds regular quarterly meetings, and holds special meetings as and when necessary. The board of directors met eight times during 2005. An executive session of the board was held in connection with each meeting. Each director participated in at least 75% of the meetings of the board of directors and the committees on which he or she served during 2005. In addition, the independent members of our board of directors hold meetings as and when necessary. In 2005, three meetings of our independent directors were held. Herbert Wender, the non-executive Chairman of the Board, presides over all meetings of the board, including meetings of the independent members of the board. All directors are expected to attend Radian's annual stockholders' meetings, and all of our directors attended last year's annual stockholders' meeting. The board of directors has the following standing committees:

Compensation and Human Resources Committee. The members of the Compensation and Human Resources Committee are Messrs. Hopkins (Chairman), Culang, Moore and Schweiger, each of whom is independent under the NYSE's listing standards. This committee oversees corporate compensation and benefit policies and programs for Radian and its subsidiaries, including matters regarding compensation of senior managers, and reviews the quality and depth of managers throughout Radian as well as Radian's management development practices and programs. The Compensation and Human Resources Committee met four times during 2005. Please also refer to the section of this proxy statement entitled Compensation of Directors and Executive Officers Executive Compensation Compensation and Human Resources Committee Report on Executive Compensation.

Audit and Risk Committee. The members of the Audit and Risk Committee are Mr. Carney (Chairman), Mr. Jennings, Ms. Nicholson and Mr. Richards, each of whom is independent under the NYSE's listing standards, and each of whom meets the additional NYSE independence criteria applicable to audit committee members. This committee is responsible for selecting and overseeing the work of Radian's independent auditors, reviewing Radian's annual audited and interim financial results, reviewing Radian's accounting and reporting principles and policies and overseeing Radian's overall enterprise risk management. Our board has determined that Mr. Carney qualifies as an audit committee financial expert under the SEC's rules and that he is independent under all applicable NYSE and SEC rules. The Audit and Risk Committee met twelve times during 2005. Please also refer to the section of this proxy statement entitled Audit and Risk Committee Report.

Governance Committee. The members of the Governance Committee are Messrs. Schweiger (Chairman), Carney, Hopkins and Jennings, each of whom is independent under the NYSE's listing standards. This committee oversees the process of board governance, which involves identifying and recommending candidates to become members of our board of directors for nomination by the board and election by Radian's stockholders, recommending committee membership and chairperson appointments, conducting periodic board and individual director assessments, and examining Radian's governance process in light of external and internal issues. The Governance Committee met five times during 2005.

Investment and Finance Committee. The members of the Investment and Finance Committee are Messrs. Moore (Chairman), Jennings, Richards and Schweiger, each of whom is independent under the NYSE's listing standards. This committee establishes investment policy guidelines for Radian and its subsidiaries, and regularly reviews the performance of the investment portfolio and of the investment professionals to ensure adherence to those guidelines. The Investment and Finance Committee met four times during 2005.

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Credit Committee. The Credit Committee was formed in March of 2005 to oversee Radian's credit and risk management policies and procedures. The members of this committee are Mr. Culang (Chairman), Mr. Carney, Mr. Hopkins and Ms. Nicholson, each of whom is independent under the NYSE's listing standards. The Credit Committee met three times during 2005.

Compensation and Human Resources Committee Interlocks and Insider Participation

The following directors—Messrs. Hopkins (Chairman), Culang, Moore, Richards and Schweiger, each of whom is independent under the NYSE's listing standards—served on the Compensation and Human Resources Committee during 2005. No member of the Compensation and Human Resources Committee during 2005 (1) has ever been an officer or employee of Radian or any of its subsidiaries nor (2) had any relationship with Radian or its subsidiaries during 2005 that would require disclosure under Item 404 of Regulation S-K.

During 2005, no executive officer of Radian served as a director or member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any other entity, one of whose executive officers is or has been a director of Radian or a member of Radian's Compensation and Human Resources Committee.

Certain Relationships and Related Party Transactions

No relationship or related party transaction currently exists or existed in 2005 that is required to be reported under Item 404 of Regulation S-K.

Information on Radian's Website

The corporate governance section of Radian's website (www.radian.biz) includes the following, each of which is also available in print and free of charge upon request:

Board Committee Charters. Each of the committees of our board of directors operates under a written charter adopted by the full board. Each committee regularly considers the need for amendments or enhancements to its charter.

Guidelines of Corporate Governance. Upon the Governance Committee's recommendation, our board of directors adopted a set of Guidelines of Corporate Governance. Among other things, these guidelines delineate the qualifications and relative responsibilities of the board, its committees, the Chief Executive Officer and the non-executive Chairman.

Code of Conduct and Ethics. Radian's comprehensive Code of Conduct and Ethics is binding on all Radian employees and includes a code of ethics applicable to Radian's senior executive officers. We intend to post on our website any amendments to, or waivers of, any provision of the Code of Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer or Controller and that relates to any element of the SEC's definition of a code of ethics.

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Stockholder Communication. We encourage stockholders to freely communicate with management and the board. In that regard, we have established an email address that enables stockholders to convey their concerns, questions and comments to the members of our board. The address is: directors@radian.biz. In addition, interested persons may write to the Chairman, Radian Group Inc., 1601 Market Street, Philadelphia, Pennsylvania 19103-2337 or to Howard S. Yaruss, Secretary, General Counsel and Corporate Responsibility Officer, at the same address. This contact information also is available on our website.

Any updated or amended versions of the items listed above are posted to Radian's website promptly after adoption.

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Consideration of Director Nominees

Director Qualifications. Radian's Governance Committee recommends candidates for nomination to our board of directors based on a number of factors, including diversity of experience, ability and willingness to devote ample time to service on the board, and financial expertise.

Identifying and Evaluating Director Nominees. The Governance Committee evaluates candidates by reference to the qualifications stated above. When seeking and researching candidates for director, Radian's Governance Committee generally uses the services of national search firms, which provide the committee with a professional biography of a candidate and perform background checks as requested by the Governance Committee. The Governance Committee also considers stockholder recommendations of candidates for membership on our board of directors that are submitted in accordance with the procedures described below. In either case, the Governance Committee will conduct one, and sometimes several, interviews of a candidate if after an initial evaluation it believes the candidate to be suitable. The committee also may discuss a candidate at multiple meetings and may have the candidate interview with management.

Stockholder Nominations and Recommendations. Our by-laws describe the procedures for stockholders to follow in nominating candidates to our board of directors. For the 2007 Annual Meeting of Stockholders, stockholders may nominate a candidate for election to our board of directors by sending written notice to our Secretary at our principal office set forth on the cover page of this proxy statement, which must be received at least 60 days before the 2007 annual meeting (except that if we give less than 75 days' notice or other public disclosure of the 2007 annual meeting, then the nomination must be received by our Secretary no later than the close of business on the 15th day after the day on which we mail the notice of the 2007 annual meeting or make such public disclosure). The notice to our Secretary must contain or be accompanied by the following information:

1. The name, age, principal occupation, and business and residence address of each person nominated;
2. The class and number of shares of Radian capital stock beneficially owned by each person nomi