

MEADOWBROOK INSURANCE GROUP INC  
Form 10-Q  
August 08, 2014

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

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FORM 10-Q

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-14094

Meadowbrook Insurance Group, Inc.  
(Exact name of Registrant as specified in its charter)

Michigan 38-2626206  
(State of Incorporation) (IRS Employer Identification No.)

26255 American Drive, Southfield, Michigan 48034  
(Address, zip code of principal executive offices)

(248) 358-1100  
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on August 1, 2014, was 50,091,690.

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## PART 1 - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

MEADOWBROOK INSURANCE GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended June 30,

	2014	2013
	(Unaudited)	
	(In thousands, except share data)	
Revenues		
Premiums earned		
Gross	\$212,660	\$264,853
Ceded	(48,536 )	(89,072 )
Net earned premiums	164,124	175,781
Net commissions and fees	9,342	8,539
Net investment income	11,209	11,768
Realized gains:		
Total other-than-temporary impairments on securities	-	-
Portion of loss recognized in other comprehensive income	-	-
Net other-than-temporary impairments on securities recognized in earnings	-	-
Net realized gains excluding other-than-temporary impairments on securities	3,253	2,869
Net realized gains	3,253	2,869
Total revenues	187,928	198,957
Expenses		
Losses and loss adjustment expenses	142,266	200,807
Reinsurance recoveries	(32,606 )	(55,436 )
Net losses and loss adjustment expenses	109,660	145,371
Policy acquisition and other underwriting expenses	59,358	58,450
General, selling and administrative expenses	6,752	5,901
General corporate expenses	1,415	760
Amortization expense	961	1,038
Goodwill impairment expense	-	115,397
Interest expense	3,472	3,653
Total expenses	181,618	330,570
Income (loss) before taxes and equity earnings	6,310	(131,613 )
Federal and state income tax expense (benefit)	1,183	(17,604 )
Equity earnings of affiliates, net of tax	623	945
Equity earnings of unconsolidated subsidiaries, net of tax	14	6
Net income (loss)	\$5,764	\$(113,058 )
Earnings (Losses) Per Share		
Basic	\$0.12	\$(2.27 )
Diluted	\$0.12	\$(2.27 )

Weighted average number of common shares

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Basic	50,091,984	49,887,200
Diluted	50,091,984	49,887,200
Dividends paid per common share	\$0.02	\$0.02

The accompanying notes are an integral part of the Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF INCOME

For the Six Months Ended June 30,

	2014	2013
	(Unaudited)	(Unaudited)
	(In thousands, except share data)	
Revenues		
Premiums earned		
Gross	\$429,453	\$529,195
Ceded	(102,791)	(182,826)
Net earned premiums	326,662	346,369
Net commissions and fees	21,389	18,173
Net investment income	22,470	22,908
Realized gains:		
Total other-than-temporary impairments on securities	-	-
Portion of loss recognized in other comprehensive income	-	-
Net other-than-temporary impairments on securities recognized in earnings	-	-
Net realized gains excluding other-than-temporary impairments on securities	6,279	3,185
Net realized gains	6,279	3,185
Total revenues	376,800	390,635
Expenses		
Losses and loss adjustment expenses	282,238	392,781
Reinsurance recoveries	(69,388 )	(125,594)
Net losses and loss adjustment expenses	212,850	267,187
Policy acquisition and other underwriting expenses	118,557	109,055
General, selling and administrative expenses	15,247	11,924
General corporate expenses	3,048	2,276
Amortization expense	1,948	2,109
Goodwill impairment expense	-	115,397
Interest expense	6,934	5,850
Total expenses	358,584	513,798
Income (loss) before taxes and equity earnings	18,216	