



Edgar Filing: MEADOWBROOK INSURANCE GROUP INC - Form 10-Q

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 May 1, 2014, was 50,091,766.

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TABLE OF CONTENTS

	<u>Page</u>
PART I – FINANCIAL INFORMATION	
ITEM 1 – <u>FINANCIAL STATEMENTS</u>	2-6
<u>Consolidated Statements of Income (unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income (unaudited)</u>	3
<u>Consolidated Balance Sheets (unaudited)</u>	4
<u>Consolidated Statement of Shareholders’ Equity (unaudited)</u>	5
<u>Consolidated Statements of Cash Flows (unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (unaudited)</u>	7-27
ITEM 2 – <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	28-41
ITEM 3 – <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	42-44
ITEM 4 – <u>CONTROLS AND PROCEDURES</u>	44
PART II – OTHER INFORMATION	
ITEM 1 – <u>LEGAL PROCEEDINGS</u>	45
ITEM 1A – <u>RISK FACTORS</u>	45
–	
ITEM 2 – <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	45
ITEM 3 – <u>DEFAULTS UPON SENIOR SECURITIES</u>	45
ITEM 4 – <u>MINE SAFETY DISCLOSURES</u>	45
ITEM 5 – <u>OTHER INFORMATION</u>	45
ITEM 6 – <u>EXHIBITS</u>	46
<u>SIGNATURES</u>	47

Table of Contents

## PART 1 - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

MEADOWBROOK INSURANCE GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2014

	2014	2013
	(Unaudited)	
	(In thousands, except share data)	
Revenues		
Premiums earned		
Gross	\$216,793	\$264,342
Ceded	(54,254 )	(93,754 )
Net earned premiums	162,539	170,588
Net commissions and fees	12,047	9,634
Net investment income	11,261	11,140
Realized gains (losses):		
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	3,025	316
Net realized gains	3,025	316
Total revenues	188,872	191,678
Expenses		
Losses and loss adjustment expenses	139,972	191,974
Reinsurance recoveries	(36,782 )	(70,158 )
Net losses and loss adjustment expenses	103,190	121,816
Policy acquisition and other underwriting expenses	59,198	50,605
General, selling and administrative expenses	8,495	6,023
General corporate expenses	1,633	1,516
Amortization expense	987	1,071
Interest expense	3,462	2,197
Total expenses	176,965	183,228
Income before taxes and equity earnings	11,907	8,450
Federal and state income tax expense	2,846	1,836
Equity earnings of affiliates, net of tax	1,293	438
Equity earnings of unconsolidated subsidiaries, net of tax	2	30
Net income	\$10,356	\$7,082
Earnings Per Share		
Basic	\$0.21	\$0.14
Diluted	\$0.21	\$0.14
Weighted average number of common shares		
Basic	49,976,073	49,823,882
Diluted	49,984,743	49,845,023

Dividends paid per common share	\$0.02	\$0.02
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The accompanying notes are an integral part of the Consolidated Financial Statements.

2

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Table of Contents

MEADOWBROOK INSURANCE GROUP, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2014

	2014	2013
	(Unaudited)	
	(In thousands)	
Net income	\$10,356	\$7,082
Other comprehensive loss, net of tax:		
Unrealized gains (losses) on securities	11,268	(2,782)
Unrealized gains in affiliates and unconsolidated subsidiaries	114	12
Increase on non-credit other-than-temporary impairments on securities	-	-
Net deferred derivative gains - hedging activity	(604 )	805
Less reclassification adjustment for investment gains included in net income	(1,966 )	(187 )
Other comprehensive losses, net of tax	8,812	(2,152)
Comprehensive income	\$19,168	\$4,930

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

3

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Table of ContentsMEADOWBROOK INSURANCE GROUP, INC.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (Unaudited)	December 31, 2013
	(In thousands, except share data)	
<b>ASSETS</b>		
Investments		
Debt securities available for sale, at fair value (amortized cost of \$1,456,456 and \$1,455,754 in 2014 and 2013, respectively)	\$1,478,573	\$1,463,046
Equity securities available for sale, at fair value (cost of \$97,907 and \$95,346 in 2014 and 2013, respectively)	111,915	109,982
Cash and cash equivalents	111,371	94,776
Accrued investment income	14,965	14,266
Premiums and agent balances receivable (net of allowance of \$5,456 and \$5,094 in 2014 and 2013, respectively)	195,418	214,144
Reinsurance recoverable on:		
Paid losses	15,338	14,453
Unpaid losses	517,352	505,431
Prepaid reinsurance premiums	49,400	63,908
Deferred policy acquisition costs	66,436	62,773
Deferred income taxes, net	34,170	41,435
Goodwill	5,644	5,644
Other intangible assets	23,522	24,509
Other assets		