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Meadowbrook Insurance Group, Inc. Q1 2008 Earnings Call Transcript

Earnings Call Excerpt

Meadowbrook Insurance Group, Inc. (MIG)

Q1 2008 Earnings Call

April 29, 2008 9:00 am ET

Executives

Karen Spaun - Chief Financial Officer

Bob Cubbin - Chief Executive Officer

Analysts

Mark Hayden - KeyBanc

Mark Dwelle - Ferris, Baker Watts

Tom Spiro - Spiro Capital

Robert Paun - Sidoti & Co

Presentation

Operator

Greetings, ladies and gentlemen and welcome to the Meadowbrook Insurance Group Incorporated First Quarter 2008 Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. (Operator Instructions). As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Ms. Karen Spaun, Chief Financial Officer for Meadowbrook Insurance Group Incorporated. Thank you, Ms. Spaun. You may now begin.

Karen Spaun - Chief Financial Officer

Thank you, and welcome to Meadowbrook's first quarter 2008 earnings conference call. I will lead our today's call with a review of our first quarter financial results. Bob Cubbin, our CEO will then follow with a review of our financial outlook and current market conditions. The call will be then completed with a question-and-answer session.

During this call, we may make certain statements related to future results and expectations. These statements constitute forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. We therefore must state actual results may differ materially from those projected and may involve risks and uncertainties that are outlined in our Form 10-Q and 10-K that are filed with the SEC.

Please note Meadowbrook undertakes no obligation to update or revise any forward-looking statements. If you have not received a copy of our earnings release, it is currently available on our website meadowbrook.com or you may give me a call and I will be happy to fax a copy to you.

Now, for our results. We are pleased with growth in our net operating income excluding amortization, increasing 22% to \$8.6 million, compared to \$7.1 million in 2007. Our results, for the first quarter reflected improvements in our expense ratio primarily related to the benefit of the elimination of the fronting fees paid prior to receiving our AM Best Upgrade and the benefit, from our ability to further leverage fixed costs.

Our results also benefited from an increase in net investment income with positive operating cash flows and the net proceeds we received in our equity raise last year. In addition, we continue to see favorable development on prior year losses. Our results were impacted by a \$1.4 million increase in amortization expense related to the acquisition of the USSU business in 2007 and 2008.

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