

MEADOWBROOK INSURANCE GROUP INC

Form DEF 14A

March 26, 2008

**Table of Contents**

**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

**Meadowbrook Insurance 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

---

2) Aggregate number of securities to which transaction applies:

---

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:

---

- Fee paid previously with preliminary materials.
-

Edgar Filing: MEADOWBROOK INSURANCE GROUP INC - Form DEF 14A

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

SEC 1913 (02-02) **Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

---

**TABLE OF CONTENTS**

MEADOWBROOK INSURANCE GROUP, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MEADOWBROOK INSURANCE GROUP, INC.

PROXY STATEMENT

QUESTIONS AND ANSWERS

THE FIRST PROPOSAL ON WHICH YOU ARE VOTING THE ELECTION OF THREE DIRECTORS

INFORMATION ABOUT THE NOMINEES, THE INCUMBENT DIRECTORS AND OTHER

EXECUTIVE OFFICERS

CORPORATE GOVERNANCE

COMPENSATION OF DIRECTORS

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

2007 Grants of Plan-Based Awards

Outstanding Equity Awards at December 31, 2007

2007 Option Exercises and Stock Vested

Deferred Compensation

Pension Benefits

Potential Payments upon Termination or Changes in Control

EMPLOYMENT CONTRACTS

AT-WILL EMPLOYMENT AND SEVERANCE AGREEMENTS

Meadowbrook Insurance Group, Inc. Stock Option Plans

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD ON EXECUTIVE

COMPENSATION

REPORT OF THE AUDIT COMMITTEE

THE SECOND PROPOSAL ON WHICH YOU ARE VOTING RATIFICATION OF APPOINTMENT

OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

AUDIT AND RELATED FEES

OTHER MATTERS

---

**Table of Contents**

**MEADOWBROOK INSURANCE GROUP, INC.**

**26255 American Drive  
Southfield, Michigan 48034  
(248) 358-1100**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Date: May 9, 2008  
Time: 2:00 p.m., EST

Place: Meadowbrook Insurance Group

26255 American Drive  
Southfield, Michigan 48034

We invite you to attend the Meadowbrook Insurance Group, Inc. Annual Meeting of Shareholders to:

1. Elect three directors for a three-year term expiring in 2011, or until the election and qualification of their successors;
2. Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm; and
3. Transact any other business that is properly submitted before the Annual Meeting or any adjournments of the Annual Meeting.

The record date for the Annual Meeting is March 14, 2008. Only shareholders of record at the close of business on that date are entitled to vote at the Annual Meeting. This notice was mailed only to those shareholders.

A proxy statement, a proxy card and the Company's 2007 Annual Report are enclosed. Whether you plan to attend the meeting or not, whether you own a few or many shares of stock, the Board of Directors urges you to vote promptly. You may vote by completing, signing, dating and returning the enclosed proxy card in the enclosed envelope.

By Order of the Board of Directors,

Michael G. Costello  
Secretary

Southfield, Michigan  
Dated: April 3, 2008

**IF YOU DO NOT EXPECT TO ATTEND THE MEETING  
PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD  
AND RETURN IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE.**

---

**Table of Contents**

**MEADOWBROOK INSURANCE GROUP, INC.**

**PROXY STATEMENT**

**QUESTIONS AND ANSWERS**

**1. What is a proxy?**

A proxy is a procedure which enables you, as a shareholder, to authorize someone else to cast your vote for you. The Board of Directors of Meadowbrook Insurance Group, Inc. (the Company) is soliciting your proxy, and asking you to authorize Robert S. Cubbin, President and Chief Executive Officer, Karen M. Spaun, Senior Vice President and Chief Financial Officer, or Michael G. Costello, Senior Vice President, General Counsel and Secretary of the Company, to cast your vote at the 2008 Annual Meeting. You may, of course, cast your vote in person or abstain from voting, if you so choose. The term proxy is also used to refer to the person who is authorized by you to vote for you.

**2. What is a proxy statement and a proxy card?**

A proxy statement is the document the United States Securities and Exchange Commission requires to explain the matters on which you are asked to vote. A proxy card is the form by which you may authorize someone else, and in this case Mr. Cubbin, Ms. Spaun, or Mr. Costello, to cast your vote for you. This proxy statement and proxy card with respect to the Company's 2008 Annual Meeting were mailed on or about April 3, 2008 to all shareholders entitled to vote at the Annual Meeting.

**3. Who is entitled to vote?**

Only holders of shares of the Company's common stock at the close of business on March 14, 2008 (the Record Date) are entitled to vote at the Annual Meeting. Each shareholder of record has one vote for each share of common stock for each matter presented for a vote.

**4. What will I vote on at the Annual Meeting?**

At the Annual Meeting, shareholders will vote upon:

- (i) Election of three directors for a three-year term expiring in 2011, or until the election and qualification of their successors;
- (ii) Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm; and
- (iii) Transact any other business that is properly submitted before the Annual Meeting or any adjournments of the Annual Meeting.

**5. How does the Board of Directors recommend I vote on the proposals?**

The Board of Directors recommends a vote FOR each proposal.

**6. How can I vote?**

You can vote in person or by proxy. To vote by proxy, complete, sign, date and return the enclosed proxy card in the enclosed envelope. If you returned your signed proxy card to the Company before the Annual Meeting, the persons named as proxies on the card will vote your shares as you direct. Shares represented by proxies, which are marked **WITHHELD** to vote for all three nominees for director, or for any individual nominee(s) for election as director(s) and which are not otherwise marked **FOR** the other nominees, will not be counted in determining whether a plurality vote has been received for the election of directors. Similarly, shares represented by proxies which are marked **ABSTAIN** on the proposals to ratify the appointment of Ernst & Young LLP as independent registered public accounting firm for the Company in 2008, will not be counted in determining whether the requisite vote has been received for such proposal. **IF YOU WISH TO VOTE IN THE MANNER THE BOARD OF DIRECTORS RECOMMENDS, IT IS NOT NECESSARY TO SPECIFY**

## **Table of Contents**

YOUR CHOICE ON THE PROXY CARD. SIMPLY SIGN, DATE AND RETURN THE PROXY CARD IN THE ENCLOSED ENVELOPE. You may revoke a proxy at any time before the proxy is voted by:

- (i) Providing written notice of revocation to the Secretary of the Company at the address shown on the Notice of Annual Meeting of Shareholders on the first page of this booklet;
- (ii) Submitting another proxy that is properly signed and dated later; or
- (iii) Voting in person at the meeting (but only if the shares are registered in the Company's records in your name and not in the name of a broker, dealer, bank or other third party).

### **7. Is my vote confidential?**

Yes, your vote is confidential. Only the inspectors of election and certain employees associated with processing proxy cards and counting the votes have access to your proxy card. All comments received will be forwarded to management on an anonymous basis unless, of course, you ask that your name be disclosed.

### **8. What is a quorum?**

There were 37,021,032 shares of the Company's common stock outstanding on the Record Date. A majority of the outstanding shares, or 18,510,517 shares, present or represented by proxy, constitutes a quorum. A quorum must exist to conduct business at the Annual Meeting. Abstentions and broker non-votes are counted as votes present. A broker non-vote is a proxy a broker submits that does not indicate a vote for the proposal, because the broker does not have discretionary voting authority and the broker did not receive instructions as to how to vote on the proposal.

### **9. How does voting work?**

If a quorum exists at the Annual Meeting, a plurality vote, being the greatest number, of the shares voted, although not a majority is required to elect the three nominees for director. The three nominees receiving the highest number of votes will be elected. If a quorum is present, the affirmative vote by the holders of a majority of the shares present, or represented by proxy, is required to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company in 2008. Broker non-votes are excluded for each of these purposes. Therefore, a broker non-vote will have no effect on the proposals to elect the three nominees for director and ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company in 2008.

The Company will vote properly executed proxies it receives prior to the Annual Meeting in the way you direct. If you do not specify instructions, the shares represented by proxies will be voted FOR the nominees for director and FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company in 2008.

### **10. Who pays for the costs of the Annual Meeting?**

The Company pays the cost of preparing and printing the proxy statement, proxy card and soliciting proxies. The Company will solicit proxies primarily by mail, but also may solicit proxies personally and by telephone, facsimile or other means. Officers and regular employees of the Company and its subsidiaries also may solicit proxies, but will receive no additional compensation for doing so, nor will their efforts result in more than a minimal cost to the Company. The Company also will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their out-of-pocket expenses for forwarding solicitation material to beneficial owners of the Company's common stock.



**11. When are stockholder proposals for the 2009 Annual Meeting due?**

All shareholder proposals to be considered for inclusion in next year's proxy statement under Securities and Exchange Commission Rule 14a-8 must be submitted in writing to the Secretary of the Company at the address shown on the Notice of Annual Meeting of Shareholders on the first page of this booklet by December 4, 2008.

For any proposal that is not submitted for inclusion in next year's proxy statement but instead is sought to be presented directly at next year's annual meeting, Securities and Exchange Commission rules permit

**Table of Contents**

management to vote proxies in its discretion if (a) the Company receives notice of the proposal before the close of business on February 17, 2009 and advises shareholders in next year's proxy statement about the nature of the matter and how management intends to vote on such matter, or (b) does not receive notice of the proposal prior to the close of business on February 17, 2009.

The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

**THE FIRST PROPOSAL ON WHICH YOU ARE VOTING  
THE ELECTION OF THREE DIRECTORS**

The Company's Board of Directors (the Board) is divided into three classes with each class of directors elected to a three-year term of office. At each annual meeting of shareholders, the shareholders elect one class of directors for a three-year term to succeed the class of directors whose term of office expires at that meeting.

This year you are voting on three candidates for director. The Company's Board, acting upon the recommendation of its Governance and Nominating Committee, has nominated: Robert H. Naftaly, Robert W. Sturgis, and Bruce E. Thal as directors with terms expiring in 2011. Each nominee currently serves as a director, has consented to their nomination and has agreed to serve as a director, if elected.

If any of the nominees are unable to stand for election, the Company may vote the shares to elect a substitute nominee, who is nominated by the Board, or the number of directors to be elected at the Annual Meeting may be reduced.

**The Company's Board recommends a vote FOR each of the nominees.**

**INFORMATION ABOUT THE NOMINEES, THE INCUMBENT DIRECTORS AND  
OTHER EXECUTIVE OFFICERS**

The following is information about the nominees for election as a director, each of the directors whose term of office will continue after the meeting, and others who are executive officers of the Company. The information is as of the date of record, March 14, 2008.

**Nominee Directors Terms Expiring in 2011**

*Robert H. Naftaly*, age 70 has been a director since 2002 and is the Chairman of the Compensation Committee and a member of the Audit Committee, the Finance Committee and the Governance and Nominating Committee of the Board of the Company. He is retired as President and Chief Executive Officer of PPOM, an independent operating subsidiary of Blue Cross Blue Shield of Michigan (BCBSM) and as Executive Vice President and Chief Operating Officer of BCBSM. Previously, Mr. Naftaly served as Vice President and general auditor of Detroit Edison Company and was the director of the Department of Management and Budget for the State of Michigan. He was a managing partner and founder of Geller, Naftaly, Herbach & Shapiro, a certified public accounting firm. Mr. Naftaly also serves upon the Board of Directors for Sun Communities, Inc.

*Robert W. Sturgis*, age 66 has been a director since 2000 and is a member of the Audit Committee and the Finance Committee of the Board of the Company. He is a retired director and principal of Tillinghast-Towers Perrin, a global management and actuarial consulting firm.

*Bruce E. Thal*, age 76 has been a director since 1995 and is the Chairman of the Audit Committee and a member of the Investment Committee and the Finance Committee of the Board of the Company. He is a retired partner of

Deloitte & Touche LLP, a public accounting firm.

**Incumbent Directors    Terms Expiring in 2010**

*Merton J. Segal*, age 79, is the founder of the Company. Mr. Segal has been a director since 1985 and is Chairman of the Board of the Company. Mr. Segal is a member of the Finance Committee and the Investment Committee of the Board of the Company. Further, Mr. Segal is a director of the Company's property and casualty

## **Table of Contents**

insurance company subsidiaries, Star Insurance Company ( Star ), Savers Property and Casualty Insurance Company ( Savers ), Williamsburg National Insurance Company ( Williamsburg ), and Ameritrust Insurance Corporation ( Ameritrust ), as well as Meadowbrook, Inc. ( Meadowbrook ) an insurance agency and risk management subsidiary of the Company. Mr. Segal holds the designation of Chartered Property & Casualty Underwriter ( CPCU ) and is a Licensed Insurance Counselor ( LIC ).

*Joseph S. Dresner*, age 82 has been a director since 1985 and he is the Chairman of the Investment Committee and a member of the Finance Committee of the Board of the Company. Mr. Dresner is Chairman of the Highland Companies, a Detroit-area-based developer and manager of commercial, industrial and residential properties.

*David K. Page*, age 74 has been a director since 2000 and is the Chairman of the Finance Committee and a member of the Compensation Committee, the Investment Committee and the Governance and Nominating Committee of the Board of the Company. Mr. Page is a partner in the Detroit, Michigan law firm of Honigman Miller Schwartz & Cohn. Mr. Page also serves upon the Board of Directors for Keyco Bond Fund, Inc.

*Herbert Tyner*, age 77 has been a director since 1985 and is a member of the Compensation Committee of the Board of the Company. He is Chief Executive Officer of Hartman & Tyner, Inc., a Detroit-based real estate developer with land, apartment developments and other real estate holdings in Michigan and Florida.

### **Incumbent Directors Terms Expiring in 2009**

*Robert S. Cubbin*, age 50 and a director since 1995, was appointed as President and Chief Executive Officer of the Company in May 2002. Prior to then, Mr. Cubbin served as President and Chief Operating Officer since February 1999. Mr. Cubbin is a member of the Finance Committee and the Investment Committee of the Board of the Company. In 1999, Mr. Cubbin was also appointed Chairman of the Board of Directors of the following subsidiaries of the Company: Star, Savers, Williamsburg, Ameritrust, and Meadowbrook. Mr. Cubbin is also the President of Meadowbrook. From 1996 until his appointment as President and Chief Operating Officer in February 1999, Mr. Cubbin was an Executive Vice President of the Company. Mr. Cubbin joined the Company in 1987, as Vice President and General Counsel. Prior to joining the Company, Mr. Cubbin, was with Plunkett & Cooney, P.C., a Michigan law firm specializing in insurance law.

*Hugh W. Greenberg*, age 77 has been a director since 1985 and is the Chairman of the Governance and Nominating Committee and a member of the Audit Committee, the Finance Committee and the Compensation Committee of the Board of the Company. He is Chairman of DataNet Quality Systems, which was formerly Detroit Gauge & Tool Company. DataNet Quality Systems develops manufacturing quality control software and systems.

*Florine Mark*, age 75 has been a director since 1996 and is a member of the Governance and Nominating Committee and the Investment Committee of the Board of the Company. She is President and Chief Executive Officer of The WW Group, Inc., one of the largest franchisees of Weight Watchers International.

### **Other Executive Officers**

*Karen M. Spaun*, age 43, was appointed Chief Financial Officer in 2003 and has served as Senior Vice President of the Company since 2002. She also serves as Director and Vice President of Star, Savers, Williamsburg, Ameritrust and Meadowbrook. In addition, she serves as Treasurer of Meadowbrook. Ms. Spaun joined the Company in 1998 as Director of Investor Relations. In 1997, Ms. Spaun served as Controller of CoverX, an excess and surplus lines company. From 1993 to 1997 she served as Director of Financial Accounting at Citizens Insurance Company, a member of the former Allmerica Financial Corporation, in Howell, Michigan. Ms. Spaun previously held financial and accounting positions in public companies and the former Coopers & Lybrand public accounting firm.

*Michael G. Costello*, age 47, was appointed Senior Vice President, General Counsel and Secretary of the Company, Star, Savers, Ameritrust, Williamsburg and Meadowbrook in 1999. Previously, Mr. Costello served as Vice President and General Counsel of the Company, Star, Savers and Meadowbrook. Mr. Costello joined the Company in 1993 as Vice President and Assistant General Counsel. Mr. Costello was formerly a shareholder with Plunkett & Cooney, P.C., a Michigan law firm specializing in insurance law.

**Table of Contents**

*Stephen A. Belden*, age 52, is Senior Vice President and Chief Actuary for Meadowbrook, Star, Savers, Williamsburg and Ameritrust. Mr. Belden joined the Company in 2003. He previously served as Chief Actuary for Zurich North American Construction from 1995 to 2003. From 1990 to 1995, Mr. Belden worked with Orion Capital Companies as Assistant Vice President and Actuary. Previous to this, Mr. Belden's experience includes serving as a Consultant with Tillinghast and with Touche, Ross and Company as an Actuarial Officer for the St. Paul Companies. He started his career in 1977 with Aetna Life and Casualty, where he served in various positions in the Actuarial Department. Mr. Belden's credentials include both FCAS and CPCU designations.

*Robert Christopher Spring*, age 54, is Senior Vice President of Business Operations of Meadowbrook. He was formerly the President of the Company's TPA Associates Division, which was acquired by the Company in 1999. Mr. Spring co-founded TPA Associates in 1993. He served as Executive Vice President of TPA from 1993 through 2000. He previously served as Assistant Vice President with American Mutual Insurance Companies from 1987 through 1989. From 1989 through 1993, Mr. Spring worked with Towers Perrin as a risk management consultant. He began his career in 1977 with Signature Group, an Illinois insurance company.

*Archie S. McIntyre*, age 42, is Senior Vice President of Business Development for Meadowbrook and also serves as a Director for Star, Savers, Williamsburg and Ameritrust. Mr. McIntyre joined the Company in 1986. From 1986 to 1988, Mr. McIntyre held various positions in the agency, marketing and finance divisions of the Company. From 1988 to 1996, Mr. McIntyre was a manager in the Company's public entity division. In 1996, Mr. McIntyre was named Vice President managing the Company's Alabama Branch office. In 1999, Mr. McIntyre was appointed to manage the Company's Business Development Department, which includes marketing, acquisitions, program implementation, and corporate communications. Mr. McIntyre graduated from the University of Michigan-Dearborn and holds an ARM (Associate in Risk Management) designation.

*Kenn R. Allen*, age 59, is Senior Vice President of the Company and President of the Meadowbrook Insurance Agency and also serves as a Director for Star, Savers, Williamsburg and Ameritrust. Mr. Allen has served as President of the Meadowbrook Insurance Agency since 1986. Prior to joining the Company, Mr. Allen held many positions at Wells Fargo, formerly known as Republic Hogg Robinson, where he was a Regional Senior Vice President for its self-funded groups/associations, self-insureds and property/casualty business. Mr. Allen is a graduate of the University of Cincinnati and Henry Ford College. His credentials include CIC (Certified Insurance Counselor) and CHCM (Certified Hazard Control Manager).

*Joseph E. Mattingly*, age 48, became Senior Vice President Insurance Operations, effective March 1, 2007 and is President and Director of Star, Savers, Ameritrust, and Williamsburg, and Director of Meadowbrook. He is responsible for corporate underwriting, claims, loss control, premium audit, reinsurance, business development, and information services. Mr. Mattingly joined the Company in 2003. He served as branch manager for the Company's office in Overland Park, Kansas from 2004 until November 1, 2006. From 1997 to 2003, he held the position of Vice President with One Beacon Insurance. Prior to 1997, Mr. Mattingly held various positions at Great American Insurance and The Hartford Insurance Group. Mr. Mattingly is a graduate of the University of Missouri.

*James M. Mahoney*, age 57, became Senior Vice President Field Operations, effective March 1, 2007. He is responsible for management of the Company's branch operations. Mr. Mahoney joined the Company in 2000. He served as branch manager for the Company's office in Andover, Massachusetts from 2000 through 2006. From 1978 to 1995, he held various positions, including New England Regional Executive, Northeast Zone Executive, and Corporate Vice President Field Operations, at The Hanover Insurance Company. In 1995, Mr. Mahoney joined the Lumber Insurance Group as Senior Vice President. Mr. Mahoney is a graduate of Merrimack College and holds a CPCU designation.

**CORPORATE GOVERNANCE**

**Board Matters**

In 2007, the Board met twelve times and Committees of the Board held seventeen additional meetings. During 2007, each of the directors attended (in the aggregate) at least 75% of the total number of meetings of the Board and

## **Table of Contents**

the total number of meetings held by all the Committees of the Board upon which he/she served, with the exception of Florine Mark who attended 71% of such meetings.

It is the policy of the Board to encourage attendance by its members at all meetings of the Board and Committees of the Board. Nine of the ten members of the Board attended the 2007 Annual Meeting.

## **Independence Determination**

The Board has determined that Messrs. Dresner, Greenberg, Naftaly, Page, Sturgis, Thal, Tyner, and Ms. Mark are independent as such term is defined in the New York Stock Exchange's independence standards, as modified or supplemented, and these directors have no other relationship that would impair such independence.

## **Executive Sessions**

Executive sessions of non-management directors were held at each regularly scheduled meeting of the Board, as well as at each meeting of the Audit Committee, Compensation Committee, Governance and Nominating Committee, Finance Committee, and the Investment Committee. Executive sessions are presided over by the Chairman of each Committee and the Chairman of the Finance Committee presides over the executive sessions of the Board.

## **Committees of the Board of Directors**

The Board has established an Audit Committee, Compensation Committee, Finance Committee, Investment Committee and Governance and Nominating committee. Each of the Committees of the Board have adopted a Charter. A current copy of each Committee's Charter is available on the Company's website at [www.meadowbrook.com](http://www.meadowbrook.com).

## **Audit Committee**

The Audit Committee is responsible for reviewing the services of the Company's independent registered public accounting firm and actuaries, consults with the accountants and actuaries, reviews the financial statements of the Company and internal controls of the Company and monitors the Internal Audit Department of the Company. The Audit Committee members are Bruce E. Thal (Chairman), Hugh W. Greenberg, Robert H. Naftaly and Robert W. Sturgis. The members of the Audit Committee satisfy the independence and experience requirements of the New York Stock Exchange. In addition, the Board has determined that Bruce E. Thal qualifies as an audit committee financial expert, as defined by the Securities and Exchange Commission. The Audit Committee met four times in 2007. Refer to the Audit Committee Report below for details of the Committee's proceedings during 2007.

## **Compensation Committee**

The Compensation Committee adopted a Committee Charter (the "Charter") to assure our named executives are appropriately compensated in relation to their duties, responsibilities and performance. The Charter authorizes the Compensation Committee to review and approve the goals and objectives for the Chairman and Chief Executive Officer, evaluate their performance and approve their compensation. The Compensation Committee recommends to the Board the base salary levels, bonuses and equity compensation for the Chief Executive Officer and Chairman of the Board. In addition, the Compensation Committee approves the guidelines to determine salary levels, bonuses and equity compensation for other executive officers and managers of the Company. The Compensation Committee reviews and makes recommendations with respect to the Company's compensation plans and is responsible for administering the Company's 1995 and 2002 Amended and Restated Stock Option Plans and the Company's Long Term Incentive Plan, as well as approving any stock option or long term incentive awards granted to applicable



employees. The Committee has authority to directly retain outside consultants of its selection to advise the Compensation Committee with respect to the Company's compensation and benefits programs. Previously in 2006, the Compensation Committee retained Towers Perrin to provide information relating to competitive compensation levels and current compensation trends, as well as to assess the Company's annual bonus and Long Term Incentive Plan. In 2007, the Compensation Committee did not retain Towers Perrin, or any other firm, to provide information or to review the Company's compensation plans.

## **Table of Contents**

The Compensation Committee members are Robert H. Naftaly (Chairman), Hugh W. Greenberg, David K. Page, and Herbert Tyner. The Compensation Committee met two times in 2007. The report of the Compensation Committee is set forth later in this proxy statement.

## **Finance Committee**

The Finance Committee reviews the Company's banking relationships, business operations, potential acquisitions, capital strategy, financial results and information, and litigation relating to the Company. Members of the Finance Committee are David K. Page (Chairman), Joseph S. Dresner, Hugh W. Greenberg, Robert H. Naftaly, Bruce E. Thal, Robert W. Sturgis, Merton J. Segal and Robert S. Cubbin. The Finance Committee met six times in 2007.

## **Investment Committee**

The Investment Committee reviews and approves the Company's Investment Policy Guidelines, investment transactions of the Company, consults with the Company's outside investment manager, and monitors investment performance and adherence to the Company's Investment Policy Guidelines. The Investment Committee members are Joseph S. Dresner (Chairman), Robert S. Cubbin, Florine Mark, David K. Page, Merton J. Segal and Bruce E. Thal. The Investment Committee met four times in 2007.

## **Governance and Nominating Committee**

The Governance and Nominating Committee reviews the criteria for the selection of senior executives and directors of the Company. The Governance and Nominating Committee reviews the performance of the directors and recommends directors for election to the Board. The Governance and Nominating Committee monitors compliance with the Company's Code of Conduct, Business Conduct Policy and other corporate governance policies. The Governance and Nominating Committee also reviews and approves any related-party transactions involving the Company. The Governance and Nominating Committee members are Hugh W. Greenberg (Chairman), Florine Mark, David K. Page, and Robert H. Naftaly. The Governance and Nominating Committee met one time in 2007.

The Board has adopted Corporate Governance Guidelines. The Charter for the Governance and Nominating Committee is available to shareholders on the Company's website, at [www.meadowbrook.com](http://www.meadowbrook.com). Each member of the Governance and Nominating Committee is independent as defined in the New York Stock Exchange's independence standards, as those standards have been modified or supplemented, and these Directors have no other relationship that would impair their independence.

The Governance and Nominating Committee's policy is to consider director candidates recommended by shareholders. Such recommendations must be made pursuant to timely notice in writing to:

Meadowbrook Insurance Group, Inc.  
26255 American Drive  
Southfield, Michigan 48034-2438  
Attention: Governance and Nominating Committee

The Governance and Nominating Committee has not established specific minimum qualifications and skills for directors to possess. The Governance and Nominating Committee uses a subjective process for identifying and evaluating nominees for director, based upon the information available to members of the Governance and Nominating Committee and the then current needs of the Company. The Governance and Nominating Committee does not believe there would be any difference in the manner in which it evaluates nominees based on whether the nominee is recommended by a shareholder or director. Historically, nominees have been the existing directors or

persons with significant business, insurance, accounting, actuarial or legal experience.

**Code of Conduct**

The Company has adopted a Code of Conduct that applies to all of its employees, officers and directors, including its principal executive officer, principal financial officer, controller or persons performing similar

## **Table of Contents**

functions. Annually, the Company reviews the Code of Conduct for any amendments, which are thereafter reviewed and approved by the Governance and Nominating Committee and the Board.

The Company's Code of Conduct contains written standards that are intended to deter wrongdoing and promote:

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

Full, fair, accurate, timely, and understandable disclosures in reports and documents that we file with, or submit to, the Securities and Exchange Commission and in other public communications we make;

Compliance with applicable governmental laws, rules and regulations;

The prompt internal reporting of violations of the Code of Conduct to an appropriate person; and

Accountability for adherence to the Code of Conduct.

In addition, the Company has a Whistleblower Policy, which allows employees to anonymously report ethical or illegal conduct on the part of employees. All reports are investigated by the Compliance Officer and then reported to the Audit Committee of the Board for further action.

The Company has also posted it on its website at [www.meadowbrook.com](http://www.meadowbrook.com). The Company will provide a copy of the Code of Conduct to any person, without charge and upon request. Requests for a copy of our Code of Conduct, Corporate Governance Guidelines or Committee Charters should be made to the Secretary at 26255 American Drive, Southfield, Michigan 48034. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of our Code of Conduct that applies to our principal executive officer, principal financial officer, controller or persons performing similar functions and that relates to any element of the code definition enumerated in Securities and Exchange Commission, Regulation S-K, Item 406(b) by posting such information on our website at [www.meadowbrook.com](http://www.meadowbrook.com) within five business days following the date of the amendment or waiver. To date, no such waivers have been made.

## **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee is a current or former employee of the Company or any of its subsidiaries. No member of the Compensation Committee had any relationship with the Company, which would have required disclosure in this Proxy Statement under the caption *Certain Relationships and Related Party Transactions*. No executive officer of the Company served on the Compensation Committee or as a director of any other entity whose executive officer(s) served on the Company's Compensation Committee or Board.

## **Shareholder Communications with Directors**

Any shareholder may communicate directly with the Board, or with any one or more individual members of the Board. A shareholder wishing to do so, should address the communication to Board of Directors or to one or more individual members of the Board and submit the communication to the Company at the address of the Company noted on the first page of this Notice of Meeting and Proxy Statement. All such communications received by the Company and addressed to the Board of Directors will be forwarded to the Chairman of the Board, or to the individual member or members of the Board, if addressed to them.

All of these communications will be reviewed by our Secretary to filter out communications that are not appropriate, specifically, spam or communications offering to buy or sell products or services. The Secretary will forward all remaining communications to the appropriate directors.

Any interested party may communicate with our non-management directors by writing to:

Meadowbrook Insurance Group, Inc.  
26255 American Drive  
Southfield, Michigan 48034  
Attention: Non-Management Directors

**Table of Contents****COMPENSATION OF DIRECTORS**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
David K. Page	67,500						67,500
Bruce E. Thal	69,000						69,000
Joseph S. Dresner	55,500						55,500
Hugh W. Greenberg	67,500						67,500
Robert W. Sturgis	55,000						55,000
Florine Mark	41,500						41,500
Robert H. Naftaly	67,500					1,393	68,893
Herbert Tyner	44,500						44,500

**Director Compensation**

During 2007, directors who were not officers of the Company received an annual retainer fee of \$25,000, plus \$1,500 for each board or committee meeting attended. Directors who serve as chairman of a committee of the Board, received an additional annual retainer of \$5,000.

The Compensation Committee reviewed the annual compensation for the Board. For 2008, the Compensation Committee recommended to the Board that the annual retainer be increased from \$25,000 to \$30,000, effective January 1, 2008. The Compensation Committee recommended no changes to the meeting fee or the committee chairman retainer. On February 8, 2008, the Board voted to approve these recommendations of the Compensation Committee.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth as of the Record Date the beneficial ownership of the Company's common stock by: (i) each person known by the Company to beneficially own five percent or more of such shares, (ii) each nominee and incumbent director, (iii) each person named in the Summary Compensation Table, and (iv) all nominees and incumbent directors and Executive Officers as a group, together with their respective percentage

**Table of Contents**

ownership of the outstanding shares. Unless otherwise indicated, each individual has sole investment and voting power with respect to such shares.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
<b><u>Directors and Executive Officers</u></b>		
Merton J. Segal (Executive Officer and Director)	1,600,191(2,3)	4.3%
Robert S. Cubbin (Executive Officer and Director)	391,741(4)	1.1%
Michael G. Costello (Executive Officer)	37,500(5)	*
Karen M. Spaun (Executive Officer)	61,500(6)	*
Kenn R. Allen (Executive Officer)	41,859(7)	*
Stephen A. Belden (Executive Officer)	16,178	*
Archie S. McIntyre (Executive Officer)	32,249(8)	*
Robert C. Spring (Executive Officer)	12,176	*
James M. Mahoney (Executive Officer)	16,000	*
Joseph E. Mattingly (Executive Officer)	14,103	*
James P. LeRoy (Executive Officer)	4,564(9)	*
Joseph S. Dresner (Director)	108,188	*
Hugh W. Greenberg (Director)	109,012(10)	*
Florine Mark (Director)	20,000(11)	*
Robert H. Naftaly (Director)	45,000	*
David K. Page (Director)	120,000	*
Robert W. Sturgis (Director)	17,300	*
Bruce E. Thal (Director)	110,000(12)	*
Herbert Tyner (Director)	186,377(13)	*
All Directors and Executive Officers as a group	2,943,938	7.9%
<b><u>5% Beneficial Owners</u></b>		
<b><u>(excluding Directors and Executive Officers)</u></b>		
Dimensional Fund Advisors, Inc.	2,844,538(14)	7.7%
Columbia Wanger Asset Management L.P.	2,400,000(15)	6.5%
Royce & Associates, LLC	2,120,428(16)	5.7%
All Directors, Executive Officers and 5% Beneficial Owners	10,308,904	27.8%

\* Less than 1%.

(1) Includes shares subject to options exercisable within 60 days of the Record Date.

(2) Address is 26255 American Drive, Southfield, Michigan 48034.

(3)

Edgar Filing: MEADOWBROOK INSURANCE GROUP INC - Form DEF 14A

Includes 1,104,069 shares held in a trust by Mr. Segal's spouse. Also, includes 422,069 shares held by Mr. Segal's spouse.

- (4) Includes 25,000 shares, subject to currently exercisable options.
- (5) Includes 7,500 shares, subject to currently exercisable options.
- (6) Includes 1,500 shares, subject to currently exercisable options.
- (7) Includes 4,500 shares, subject to currently exercisable options.
- (8) Includes 4,000 shares, subject to currently exercisable options.
- (9) Includes 2,000 shares, subject to currently exercisable options.
- (10) Includes 76,526 shares held by a family Trust established by Mr. Greenberg and 32,486 shares held by Detroit Gauge & Tool.



**Table of Contents**

- (11) Includes 20,000 shares held in trust by Ms. Mark.
- (12) Includes 6,000 shares held in trust by Mr. Thal's spouse and 44,000 shares held in trust by Mr. Thal. Also includes 18,000 shares in a partnership and 2,000 shares held in trust by Mr. Thal's grandnephews. Mr. Thal may be deemed to share beneficial ownership in these shares held by his grandnephews, because he has voting power over these shares.
- (13) Includes 136,377 shares held by Hartman & Tyner, Inc. Mr. Tyner is President and greater than 10% stockholder of Hartman & Tyner, Inc. Mr. Tyner may be deemed to share beneficial ownership of these shares.
- (14) Address is 1299 Ocean Avenue, Santa Monica, CA 90401. Based on a Schedule 13G filed with the Securities and Exchange Commission dated February 6, 2008, Dimensional Fund Advisors, Inc. held sole voting power and sole dispositive power of 2,844,538 shares.
- (15) Address is 227 West Monroe Street, Suite 3000, Chicago, IL 60606. Based on Schedule 13G filed with the Securities and Exchange Commission dated January 23, 2008, Columbia Wanger Asset Management L.P., held sole voting power and sole dispositive power of 2,400,000 shares.
- (16) Address is 1414 Avenue of the Americas, New York, NY 10019. Based on Schedule 13G filed with the Securities and Exchange Commission dated January 30, 2008, Royce & Associates, LLC, held sole voting power and sole dispositive power of 2,120,428 shares.

**Table of Contents**

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's directors, executive officers and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and any subsequent changes in ownership with the Securities and Exchange Commission within prescribed time limits. The Company believes that, for the reporting period January 1, 2007 to December 31, 2007, all executive officers, directors, and ten percent or more shareholders complied with the reporting requirements under Section 16(a), except for the sale of shares on July 24, 2007 by Mr. Segal in conjunction with the Company's equity offering. This Form 4 was not filed until August 2, 2007.

**COMPENSATION OF EXECUTIVE OFFICERS**

**Compensation Discussion & Analysis**

**Overview**

The Compensation Committee (the Committee) of the Board reviews and approves the goals and objectives for the Chairman and Chief Executive Officer, as well as evaluates their performance and approves their compensation. The Committee is also responsible for reviewing recommendations made by the Chief Executive Officer relating to the compensation of our named executive officers who report to the Chief Executive Officer. In addition, the Committee is responsible for reviewing and approving stock option awards and/or long-term incentive awards granted to applicable employees. The Committee is authorized to periodically review our compensation philosophy relating to the salaries, bonuses and other long-term incentive awards paid to our employees.

It is our policy to offer a compensation package including a competitive salary, an incentive bonus based upon individual and Company performance, as well as, competitive benefits. Our compensation policy for our named executive officers is similar to that of other employers and is intended to attract, motivate, and retain talented management, continued performance and attainment of corporate and personal goals, as well as to further promote our financial success by aligning executive officers' financial interest with long-term shareholder value.

The primary elements of our executive compensation program are base salary, annual incentive bonus, long-term cash and equity incentives, post-termination severance, and other benefits and perquisites. Other benefits and perquisites consist of a qualified 401(k) savings plan, a non-qualified deferred compensation plan, automobile allowance, and other miscellaneous perquisites summarized within the Summary Compensation Table.

Criteria for awarding stock options or long-term incentive awards to our named executive officers includes level of responsibility, expected future contributions, market data for our competitors in the insurance industry, corporate performance and actual achievement of individually established goals.

**Compensation Assessment**

Periodically, the Committee has retained Towers Perrin to review our compensation plans, as well as the compensation for our senior executives and the Board.

During 2006, the Committee engaged Towers Perrin to: 1) provide information relating to competitive salary, target annual and long term incentive levels for eight of our senior executives (excluding the Chairman of the Board) and current compensation trends, and 2) assess the structure of our annual bonus and Long Term Incentive Plan (LTIP). The review considered the compensation practices in the insurance industry, which was supplemented with general

industry data and companies similar in size, assets and revenue. The eight executive salaries and target annual bonus opportunities were within the competitive range of market median levels. However, the executives' long-term incentive award opportunities were, on average, below market median levels. For reference purposes, in addition to the survey pay analysis described above, Towers Perrin presented fiscal 2005 pay levels (from proxy filings) of nine insurance companies, specifically, HCC Insurance Holdings, Inc., Markel Corporation, Philadelphia Consolidated Holding Corporation, ProAssurance Corporation, RLI Corporation, Argonaut Group, Inc., Sea Bright Insurance Holdings, Inc., Tower Group and American Physicians Capital, Inc.

## **Table of Contents**

The Committee considered many factors, including Towers Perrin's analysis and recommendations, when adjusting the structure of our executive compensation program. For 2007, minor adjustments were made to the executives' base salary and annual incentive bonus award opportunities. Certain of the executives' target award opportunities under the LTIP were increased to align with market competitive levels given our interest in recruiting and retaining a strong management team.

In 2007, we did not retain Towers Perrin, or any other firm, to review our compensation plans or to review the compensation of our senior executives and the Board.

### **Base Salary**

Base salary is established based on various criteria consisting of level of responsibility, corporate performance, personal contribution to our success, experience, expertise and market data for our competitors in the insurance industry. We provide the opportunity for our executive officers to earn a competitive annual base salary. Generally, we believe executive base salaries should be set within the competitive range of salaries for executives in similar positions at comparable companies. Base salaries are reviewed annually and increases are based on corporate performance and individual performance. For 2007, the average increase in salaries of the named executive officers from 2006 salaries was approximately 3.0%. For 2008, the average increase in salaries of the named executive officers from 2007 salaries is approximately 5.0%.

### **Annual Incentive Bonus**

In addition to base salaries, we have established a variable compensation Annual Bonus Plan ( Bonus Plan ) as an incentive for performance of our executive officers. We believe performance based cash bonuses are an important factor in providing incentives to executive officers to achieve pre-defined annual objectives. Criteria for determining the named executive officers' annual incentive bonus includes corporate performance, personal contribution to our success, achievement of individually established goals, market data for our competitors in the insurance industry and the attainment of other corporate objectives.

The Bonus Plan is a discretionary cash bonus plan premised upon a targeted growth in net after-tax earnings on a year over year basis. Each year, the Committee and our Board establish a new target based upon prior year performance and the forecasted performance levels anticipated for the following year. If the minimum threshold is met, the Bonus Plan is funded from 0% up to a maximum of 120% of the targeted bonus pool. The amount of the bonus pool is established by aggregating the individual targets for each participant, which is a percentage of salary.

At the end of the year, the Committee and the Board review our performance in relation to performance targets and then establish the total bonus pool to be utilized to pay cash bonuses to the management team based upon overall corporate and individual participant goals. At the discretion of the Board, actual bonuses paid may be above or below targeted bonus levels. Ultimately, all awards are reviewed and approved by the Board both at inception and distribution.

In February 2007, the Board, upon recommendation of the Committee, established target bonus awards, based on a percentage of salary for each named executive officer. In February 2008, the Committee and the Board determined the applicable performance goals were substantially achieved in 2007 and on February 8, 2008, the Committee and the Board approved the distribution of the annual bonus awards.

### **Long Term Incentive Plan Compensation**

We provide the opportunity for our named executive officers and other executives to earn a long-term incentive award under our LTIP. The LTIP is intended to provide an incentive to management to improve performance over a three-year period, thereby increasing shareholder value. The LTIP is not discretionary and is based upon a target for an average three-year return on beginning equity. The first performance period was for the years 2004-2006 ( 2004 LTIP Grant ). On February 9, 2007, the Committee and the Board approved the targets for the 2007-2009 performance period ( 2007 LTIP Grant ).

The targets under the 2007 LTIP Grant are predicated upon a minimum annual growth rate of 15% of after-tax operating income being achieved prior to the achievement of the targets relating to the 2007 LTIP Grant. The return

**Table of Contents**

on beginning equity target for the 2007 LTIP Grant is 13.1%. In addition, the 2007 LTIP Grant award is based upon the achievement of a cumulative three-year net operating income target of \$89.0 million. If the targets are met and all other terms and conditions are satisfied, the 2007 LTIP Grant award would be awarded upon the final approval of the Committee and the Board in the beginning of 2010. The 2007 LTIP Grant can be funded from 0% up to 120%, or 160% for our executive officers who report directly to our Chief Executive Officer.

One-half of the LTIP is paid in cash and one-half is paid in common stock. The cash portion of the award is made in three annual installments, with the first payment being paid as of the end of the performance period. The remaining two payments would be paid in the subsequent two years. Any unpaid portion of a cash award is subject to forfeiture if the participant voluntarily leaves, or is discharged for cause. The stock portion of the award is issued as a stock award under the terms and conditions of our 2002 Amended and Restated Stock Option Plan as of the end of the performance period. The number of shares of common stock awarded is based upon the closing stock price at the beginning of the three year performance period. A participant's percentage is established by the Committee and the Board in advance of any new three-year LTIP award. Ultimately, all awards under the LTIP are reviewed and approved by the Board both at inception and distribution.

The following table outlines the computation of the three-year target award for each named executive officer under the LTIP, which is based upon a percentage of salary at the beginning of the performance period.

<b>Name</b>	<b>Salary at the Beginning of the Performance Period (\$)</b>	<b>Percentage of Salary</b>	<b>Annual Target (\$)</b>	<b>Three-Year Target Award (\$)</b>	<b>Maximum Payout of Three-Year Target Award</b>
Robert S. Cubbin	535,000	60%	321,000	963,000	160%
Karen M. Spaun	248,000	40%	99,200	297,600	160%
Merton J. Segal	385,000	50%	192,500	577,500	120%
Michael G. Costello	255,000	40%	102,000	306,000	160%
James M. Mahoney	225,000	25%	56,250	168,750	160%

The grant date share price for the potential stock award under the 2007 LTIP Grant was \$9.89, the closing price of the Company's common stock on December 29, 2006.

**Stock Options**

In addition to the above variable compensation plans, we also provide for the granting of stock options under our 2002 Amended and Restated Stock Options Plan (the Plan). The Plan is intended to further our interests and our shareholders interests by attracting, retaining, and motivating key management. The Plan provides for the grant of stock options (which may be nonqualified options or incentive stock options for tax purposes) and restricted stock awards.

The Committee is authorized to determine the terms and conditions of all restricted stock awards and option grants, subject to the limitations that the option price per share may not be less than the fair market value of a share of common stock on the date of grant and the term of an option may not be longer than ten years. Payment of the option price may be made in any manner specified by the Committee (which may include payment in cash or common stock or by cashless exercise).

We did not grant any stock options during 2007 and have not granted any stock options since 2003.

### **Executive Perquisites**

We provide the opportunity for our named executive officers to receive certain perquisites, such as automobile allowances and reimbursement for club membership dues. We also offer participation in our defined contribution 401(k) plan, as well as a non-qualified deferred compensation plan. In addition, our named executive officers occasionally receive tickets to sporting events or entertainment for personal use if the tickets are not needed for business use, for which we do not incur incremental costs. These benefits are provided as an additional incentive for our executives and to remain competitive within the marketplace for such talent. These perquisites are summarized within the *Other Compensation Table* below.

**Table of Contents****Chief Executive Officer Compensation**

For 2007, the Committee established fourteen performance objectives for Mr. Cubbin. The performance goals included financial, operational and entity-wide control objectives. The financial objectives included goals for return on equity, earnings per share, targeted combined ratio, growth of after-tax profit, written premium, and fee and commission revenue. The operational goals included a benchmark for the implementation of new programs, growth of the Company's fee based business and consideration of strategic acquisitions. Further, the entity-wide control objectives included implementation of a risk assessment policy, and maintenance of the internal controls over financial reporting. The Committee determined that Mr. Cubbin achieved substantially all of these performance objectives for 2007. Mr. Cubbin's base salary for the year ended December 31, 2007 was \$575,000. In addition, Mr. Cubbin received an annual bonus of \$450,000 for his performance in 2007. Based upon Mr. Cubbin's performance in 2007, the Committee awarded a salary increase for 2008 of \$45,000. Further, the Committee approved a targeted annual bonus for 2008 of 50% of his base salary.

**Summary Compensation Table**

The following table sets forth information concerning the compensation of our Chief Executive Officer, Chief Financial Officer and the three most highly compensated Executive Officers, other than the Chief Executive Officer and Chief Financial Officer, whose total annual salary and bonus exceeded \$100,000 and includes all compensation paid to such officers during 2007:

Name and Principal Position	Year	Salary (\$)	Bonus (1) (\$)	Stock Awards (2) (\$)	Option Awards (3) (\$)	Non-Equity Incentive Compensation		All Other Compensation (\$)	Total (\$)
						Change in Pension Value and Deferred Compensation (4) (\$)	Change in Earnings (5) (\$)		
Robert S. Cubbin President, Chief Executive Officer and Director	2007	565,000	450,000	160,484				34,358	1,209,842
	2006	526,250	400,000	148,526	68,646	405,000		116,210	1,664,628
Gren M. Spaun Senior Vice President and Chief Financial Officer	2007	254,750	170,000	49,595				14,579	488,924
	2006	243,500	170,000	33,006	4,219	90,000		12,329	553,054
Robert J. Segal Chairman of the Board	2007	385,000	225,000	96,240				47,640	753,880
	2006	382,500	225,000	156,530	6,838	426,825		38,583	1,236,276
Michael G. Costello Senior Vice President General Counsel and Secretary	2007	262,500	170,000	50,995				21,915	505,410
	2006	252,000	170,000	36,471	10,012	99,450		21,777	589,610
James M. Mahoney Senior Vice President and Operations	2007	225,000	140,000	28,122				75,991	469,113



- (1) Annual Incentive Bonuses, as described above, are included in this column.
- (2) Reflects the expense recognition in our financial statements for the year ended December 31, 2007, under Statement of Financial Accounting Standards No. 123(R) for the equity portion of the 2007 LTIP Grant.
- (3) Assumptions used in determining fair value are disclosed within Note 1 of the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2007.
- (4) The amounts shown represent the cash portion of the LTIP award for the 2004 LTIP Grant, which was fully earned as of December 31, 2006. This award is paid out in three annual installments, with the first payment being paid as of the end of the performance period. The remaining two payments will be paid in 2008 and 2009. Any unpaid portion of a cash award is subject to forfeiture if the participant voluntarily leaves, or is discharged for cause.

**Table of Contents**

All Other Compensation included in the Summary Compensation Table above includes the following components:

Name	Club Memberships (\$)	Auto Allowance (\$)	401(k) Matching Contributions (\$)	Life Insurance Premiums (1) (\$)	Relocation & Commuting Expenses (2) (\$)	Tax Reimbursement (3) (\$)	Event Tickets (4) (\$)	Total (\$)
Robert S. Cubbin	14,810	9,000	6,750	630			3,168	34,358
Karen M. Spaun		7,200	6,750	629				14,579
Merton J. Segal	16,630	9,000	6,750	630			14,630	47,640
Michael G. Costello	7,335	7,200	6,750	630				21,915
James M. Mahoney	6,333	7,200	6,750	567	41,864	11,187	2,090	75,991

- (1) Represents the dollar value of any insurance premiums we paid with respect to life insurance for the benefit of the named executive officer.
- (2) Represents costs paid on behalf of Mr. Mahoney in connection with his relocation to our home office headquarters upon his promotion as an executive officer of the Company. These costs include the reimbursement of closing costs, moving company costs, as well as a temporary housing allowance and commuting costs.
- (3) Represents a tax gross-up for taxes relating to the relocation expenses paid by the Company on behalf of Mr. Mahoney.
- (4) The methodology for computing the cost to us for providing event tickets involves identifying the specific events the named executive officer and their non-business guests attended during the year and attributing the actual costs paid by us for the tickets.

**2007 Grants of Plan-Based Awards**

The following table shows the grant of an award, as described above within the *Compensation Discussion & Analysis*, for each named executive officer in the *Summary Compensation Table* and the estimated future payouts with respect to the 2007 LTIP Grant award, which would be fully earned at the end of 2009 upon achievement of the associated targets.

Estimated Future Payouts Under	Estimated Future Payouts Under	Grant Date Fair Value
--------------------------------	--------------------------------	-----------------------

Name	Grant Date	Non-Equity Incentive Plan Awards			Equity Incentive Plan Awards			of Stock Awards (\$)(2)
		Threshold (\$)	Target (\$)(1)	Maximum (\$)(1)	Threshold (#)	Target (\$)(1)	Maximum (\$)(1)	
Robert S. Cubbin	01/01/2007		481,500	770,400		48,686	77,897	481,500
Karen M. Spaun	01/01/2007		148,800	238,080		15,046	24,073	148,800
Merton J. Segal	01/01/2007		288,750	346,500		29,196	35,035	288,750
Michael G. Costello	01/01/2007		153,000	244,800		15,470	24,752	153,000
James M. Mahoney	01/01/2007		84,375	135,000		8,531	13,650	84,375

- (1) Represents award under the LTIP, the value and attainment of which is dependent upon Company performance over a three-year period beginning January 1, 2007 and ending December 31, 2009. The amounts in the target columns reflect the target award at 100% for both the cash and stock award. The amounts in the maximum columns reflect the maximum award at 160% for Messrs. Cubbin, Costello, and Mahoney and Ms. Spaun, and 120% for Mr. Segal.
- (2) Represents the full grant date fair value of the stock portion of the LTIP award valued at the closing price of the Company's common stock on December 29, 2006, of \$9.89 at a 100% target award.

**Table of Contents****Employment Agreements**

We maintain employment agreements with Robert S. Cubbin, our Chief Executive Officer, Merton J. Segal, our Chairman, and Michael G. Costello, our General Counsel. These agreements are described in more detail within the *Employment Contracts* section of this proxy statement.

**Long Term Incentive Plan Award**

As described above within the *Compensation Discussion and Analysis – Long Term Incentive Plan Compensation* of this proxy statement, we grant a long term performance based incentive award to each of our executive officers and other employees pursuant to the LTIP. These incentive awards are based on performance over a three-year period, which is paid one half in cash and one half in common stock.

**Stock Options**

There were no stock options granted to the named executive officers or any other employees in 2007.

**Outstanding Equity Awards at December 31, 2007**

The following table sets forth information regarding all unexercised stock options held by each of our named executive officers as of December 31, 2007.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date
	Exercisable (#)	Unexercisable (#)		
Robert S. Cubbin	22,500	2,500	16.26	1/1/2009
Karen M. Spaun	1,350	150	16.26	1/1/2009
Merton J. Segal				
Michael G. Costello	6,750	750	16.26	1/1/2009
	4,500		24.6875	1/1/2008
James M. Mahoney				

**2007 Option Exercises and Stock Vested**

The following table provides information regarding options exercised and shares of stock that vested for each of our named executive officers as of December 31, 2007.

	Option Awards		Stock Awards	
	Number of	Value	Number of	Value
	Realized on			

<b>Name</b>	<b>Shares Acquired on Exercise (#)</b>	<b>Exercise (\$)</b>	<b>Shares Acquired on Vesting (#)</b>	<b>Realized on Vesting (\$)</b>
Robert S. Cubbin	5,250	35,737		
Karen M. Spaun	1,125	7,928		
Merton J. Segal	64,500	613,923		
Michael G. Costello	23,250	213,544		
James M. Mahoney	900	8,966		

**Table of Contents****Deferred Compensation**

The following table sets forth information regarding deferred compensation for each of our named executive officers as of December 31, 2007.

<b>Name</b>	<b>Executive Contributions in Last FY (\$)</b>	<b>Registrant Contributions in Last FY (\$)</b>	<b>Aggregate Earnings in Last FY (\$)</b>	<b>Aggregate Withdrawals/ Distributions (\$)</b>	<b>Aggregate Balance at Last FY (\$)</b>
Robert S. Cubbin	76,000		1,975		103,826
Karen M. Spaun					
Merton J. Segal					
Michael G. Costello	26,600		1,340		32,194
James M. Mahoney					

Our Executive Nonqualified Excess Plan (the Excess Plan ) is intended to be a nonqualified deferred compensation plan. The Excess Plan allows certain employees, including the named executive officers, to defer receipt of current compensation in order to provide retirement and other benefits, as provided for in the Excess Plan. Deferred amounts are credited with earnings or losses based on the rate of return of funds selected by the participants in the plan. The Excess Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for eligible employees. We do not make contributions to participants' accounts under the Excess Plan. Participants may defer up to 100% of salary and bonus payments. Distributions are made in either a lump sum or installments over a period not to exceed five years as chosen by the executive at the time of the deferral.

**Pension Benefits**

We do not sponsor any qualified or non-qualified defined benefit plans and therefore our named executive officers do not participate in these types of plans.

**Potential Payments upon Termination or Changes in Control**

We have entered into employment agreements with certain of our named executive officers. The employment agreements provide for payments of certain benefits, as outlined in the table below, upon termination. The named executive officer's rights upon termination are dependent upon certain circumstances. The employment agreements are described in further detail after the table.

**Table of Contents**

The following table illustrates the potential maximum payouts to each named executive officer under each circumstance. The table assumes the termination occurred on December 31, 2007.

Named Executive Officer:	Involuntary Termination without Cause or Resignation for Good Reason (\$)	Involuntary Termination Following Change in Control without Cause or Resignation for Good Reason (\$)	Involuntary Termination for Good Cause (\$)	Involuntary Termination Following Change in Control for Good Cause (\$)
	<b>Robert S. Cubbin</b>			
Severance	1,150,000	1,645,000		
Bonus	287,500	287,500		
Long Term Incentive Plan	321,000	321,000		
Health care premiums	18,751	18,751		
Demand Note	870,000	870,000	261,000	261,000
<b>Karen M. Spaun</b>				
Severance		257,000		
Bonus		102,800		
Long Term Incentive Plan	99,200	99,200		
<b>Merton J. Segal</b>				
Severance	770,000	1,155,000		
Bonus	192,500	192,500		
Long Term Incentive Plan	192,500	192,500		
Health care premiums	15,637	15,637		
<b>Michael G. Costello</b>				
Severance	530,000	742,000		
Bonus	106,000	106,000		
Long Term Incentive Plan	102,000	102,000		
Health care premiums	19,155	19,155		
<b>James M. Mahoney</b>				
Severance		225,000		
Bonus		90,000		
Long Term Incentive Plan	56,250	56,250		
Health care premiums	15,967	15,967		

**EMPLOYMENT CONTRACTS*****Merton J. Segal Employment Agreement***

The Company entered into an employment agreement with Mr. Segal effective January 1, 2006 through December 31, 2008.

Mr. Segal's employment agreement provides for (a) a base salary of not less than \$31,250 per month, (b) a discretionary bonus targeted at fifty percent of his base salary (at the sole discretion of the Company) upon the attainment of certain growth and profitability goals, profit center goals and personal goals and objectives, (c) participation in Company Option Plans, (d) participation in the Company's Long Term Incentive Plan, (e) life insurance benefits, and (f) severance benefits upon termination of Mr. Segal's employment under the circumstances described below.

In the event Mr. Segal's employment is terminated by the Company and without cause, or by Mr. Segal for good reason, the Company shall pay to Mr. Segal (a) his base salary for twenty-four months, or the remaining



**Table of Contents**

months of his employment term, whichever is less, in accordance with the Company's regularly scheduled payroll, (b) a pro rata share of the portion of Mr. Segal's discretionary bonus that is based on Company performance criteria, and (c) Mr. Segal's COBRA premiums for health care coverage for eighteen months, or, if earlier, the cessation of Mr. Segal's and his family members' eligibility for COBRA continuation coverage.

In the event Mr. Segal's employment is terminated by the Company following a change in control and without cause, or by Mr. Segal for good reason, the Company shall pay to Mr. Segal (a) an amount equal to two times the sum of (i) Mr. Segal's annual base salary, plus (ii) Mr. Segal's target discretionary bonus, to be paid in a lump sum payment within ten days following the date Mr. Segal's employment terminates, (b) a pro rata share of the portion of Mr. Segal's discretionary bonus that is based on Company performance criteria no later than the February 28th following the year Mr. Segal's employment terminates, (c) Mr. Segal's COBRA premiums for health care coverage for eighteen months, or, if earlier, the cessation of Mr. Segal's and his family members' eligibility for COBRA continuation coverage and (d) any outstanding stock options, if any, shall vest and become exercisable by Mr. Segal.

In the event his employment terminates following a change in control and Mr. Segal becomes entitled to the aforementioned payments, Mr. Segal has agreed to be subject to restrictive covenants against competing with the Company for a period of two years following such termination of employment. These restrictions are in addition to those already in effect for all Company employees. In the event Mr. Segal's employment is terminated for cause, he is not entitled to any severance payment under the employment agreement.

In the event of Mr. Segal's death, fifty percent of his remaining base salary that may be due under the employment agreement would be paid to his designee.

***Robert S. Cubbin and Michael G. Costello Employment Agreements***

The Company entered into employment agreements with Mr. Cubbin and Mr. Costello effective January 1, 2004 through December 31, 2006. Unless either the Company or they give notice to the other party of an election not to renew their employment agreement on or before December 31, 2004, and annually thereafter, the employment agreement will automatically be extended one additional year.

Mr. Cubbin's employment agreement provides for a base salary of not less than \$37,500 per month. Mr. Costello's provides for a base salary of not less than \$18,417 per month. In addition, at the sole discretion of the Company, upon the attainment of certain growth and profitability goals, profit center goals and personal goals and objectives, each agreement provides for a discretionary bonus. Mr. Cubbin's agreement provides for a discretionary bonus targeted at fifty percent of his base salary. Mr. Costello's agreement provides for a discretionary bonus targeted at forty percent of his base salary. Furthermore, each agreement provides for; (1) participation in Company Option Plans, (2) participation in the Company's Long Term Incentive Plan, and (3) severance benefits upon termination of employment under the circumstances described below.

In the event Mr. Cubbin's employment is terminated by the Company and without cause, or by Mr. Cubbin for good reason, the Company shall pay to Mr. Cubbin (a) his base salary for twenty-four months over the Company's regularly scheduled payroll, (b) a pro rata share of the portion of Mr. Cubbin's discretionary bonus that is based on Company performance criteria, and (c) Mr. Cubbin's COBRA premiums for health care coverage for eighteen months, or, if earlier, the cessation of Mr. Cubbin's and his family members' eligibility for COBRA continuation coverage.

In the event Mr. Cubbin's employment is terminated by the Company following a change in control and without cause, or by Mr. Cubbin for good reason, the Company shall pay to Mr. Cubbin (a) an amount equal to two times the sum of (i) Mr. Cubbin's annual base salary, plus (ii) Mr. Cubbin's target discretionary bonus, to be paid in a lump sum payment within ten days following the date Mr. Cubbin's employment terminates, (b) a pro rata share of the portion of

Mr. Cubbin's discretionary bonus that is based on Company performance criteria no later than the February 28th following the year Mr. Cubbin's employment terminates, (c) Mr. Cubbin's COBRA premiums for health care coverage for eighteen months, or, if earlier, the cessation of Mr. Cubbin's and his family members' eligibility for COBRA continuation coverage, and (d) any outstanding stock options, if any, shall vest and become exercisable by Mr. Cubbin. In the event his employment terminates following a change in control and Mr. Cubbin becomes entitled to the aforementioned payments, Mr. Cubbin has agreed to be subject to restrictive covenants

## **Table of Contents**

against competing with the Company for a period of two years following such termination of employment. These restrictions are in addition to those already in effect for all Company employees.

In the event Mr. Cubbin's employment is terminated for cause, he is not entitled to any severance payment under the employment agreement, he forfeits all of the shares of Company stock subject to a pledge agreement with the Company, but the Demand Note he has with the Company is cancelled and deemed paid in full. (See **Certain Relationships and Related Party Transactions**). The Demand Note was amended effective June 1, 2001 and deemed a non-recourse loan with the Company's sole remedy in the event of a default being the reclamation of the shares of the Company that were pledged as collateral. The employment agreement also provides that in the event Mr. Cubbin's employment is terminated by the Company without Cause or as a result of any purchaser acquiring fifty percent or more of the outstanding shares of the Company, then (a) the Demand Note shall be cancelled and deemed paid in full, and (b) Mr. Cubbin shall be entitled to retain his shares of Company stock subject to the pledge agreement or, in his discretion, sell the shares back to the Company at the then current market price or book value, whichever is greater. This provision continues in effect the identical provision contained in the amendment to Mr. Cubbin's prior employment agreement with the Company that was adopted on June 15, 2002.

In the event Mr. Costello's employment is terminated by the Company and without cause, or by Mr. Costello for good reason, the Company shall pay to Mr. Costello (a) his base salary for twenty-four months over the Company's regularly scheduled payroll, (b) a pro rata share of the portion of Mr. Costello's discretionary bonus that is based on Company performance criteria, and (c) Mr. Costello's COBRA premiums for health care coverage for eighteen months, or, if earlier, the cessation of Mr. Costello's and his family members' eligibility for COBRA continuation coverage.

In the event Mr. Costello's employment is terminated by the Company following a change in control and without cause, or by Mr. Costello for good reason, the Company shall pay to Mr. Costello (a) an amount equal to two times the sum of (i) Mr. Costello's annual base salary, plus (ii) Mr. Costello's target discretionary bonus, to be paid in a lump sum payment within ten days following the date Mr. Costello's employment terminates, (b) a pro rata share of the portion of Mr. Costello's discretionary bonus that is based on Company performance criteria no later than the February 28th following the year Mr. Costello's employment terminates, (c) Mr. Costello's COBRA premiums for health care coverage for eighteen months, or, if earlier, the cessation of Mr. Costello's and his family members' eligibility for COBRA continuation coverage, and (d) any outstanding stock options, if any, shall vest and become exercisable by Mr. Costello. In the event his employment terminates following a change in control and Mr. Costello becomes entitled to the aforementioned payments, Mr. Costello has agreed to be subject to restrictive covenants against competing with the Company for a period of two years following such termination of employment. These restrictions are in addition to those already in effect for all Company employees.

In the event Mr. Costello's employment is terminated for cause, he is not entitled to any severance payment under the employment agreement.

## ***Terms Applicable to the Employment Agreements***

Cause is generally defined to include (i) a failure by the executive to obey the reasonable and lawful orders of the Board of Directors; (ii) misconduct by the executive that is materially injurious to the Company; or (iii) dishonest activities injurious to the Company. If the executive's employment is terminated for Cause, he is not entitled to any severance payment.

Change in Control is generally defined as

(a)

- the acquisition by any individual, entity or group of beneficial ownership of 35% or more of either (i) the then outstanding shares of Company stock or (ii) the combined voting power of the then outstanding Company securities. Covered acquisitions do not include (i) acquisitions directly from the Company, (ii) acquisitions by the Company, (iii) acquisitions by any employee benefit plan (or related trust) sponsored or maintained by the Company, or (iv) an acquisition that meets the requirements of clauses (i), (ii) and (iii) of subparagraph (c) of this paragraph,
- (b) the date on which incumbent members of the Board of Directors cease to constitute a majority of the Board of Directors. For this purpose, an individual is considered an incumbent member of the Board

**Table of Contents**

of Directors if the individual serves on the Board of Directors as of the effective date of the employment agreements or if the individual becomes a director subsequent to that date, provided that the individual's election or nomination for election by the Company's shareholders is approved by a majority of the directors then making up the Company's incumbent board. Any individual who becomes a director as a result of an actual or threatened solicitation of proxies or contests on behalf of an individual, entity or group described in subparagraph (a) of this paragraph, other than the Board of Directors of the Company, shall not be considered an incumbent board member,

- (c) consummation of a reorganization, merger, share exchange or consolidation or other disposition of substantially all of the assets of the Company, unless (i) all or substantially all beneficial owners of the Company's common stock and voting stock immediately prior to any of the listed business combinations, own at least 65% common stock and 65% of the voting stock of the entity resulting from the business combination, in substantially the same proportions as their ownership immediately prior to the business combination, (ii) no individual, entity or group described in subparagraph (a) of this paragraph, excluding a corporation which results from the business combination or an employee benefit plan of that corporation, owns 35% or more of that corporation's common stock or 35% or more of that corporation's voting stock, and (iii) at least a majority of the members of the board of directors of the corporation resulting from the business combination were incumbent board members, as described in subparagraph (b) at the time the Board of Directors acted to enter into the business combination, and
- (d) the approval by the Company's shareholders of a complete liquidation or dissolution of the Company.

Good Reason is generally defined as the executive tendering his resignation within 6 months following the date on which (a) the executive is not reelected to or is removed from the title and office he currently holds with the Company, (b) the Company fails to vest in the executive the responsibilities, authority or resources he reasonably needs to competently perform his duties in his current title and office for the Company, (c) the Company changes the executive's primary location of employment to a place more than 50 miles from Southfield, Michigan, (d) the Company commits a material breach of its obligations under the employment agreement and fails to cure the breach within 30 days following the executive giving notice of the breach, or (e) the Company gives notice that it will not renew the employment agreement. (Not applicable to Employment Agreement of Mr. Segal, dated January 1, 2006.)

**AT-WILL EMPLOYMENT AND SEVERANCE AGREEMENTS**

It is the Company's philosophy to attract and retain high-quality people, which is crucial to the short-term and long-term success of the Company. In order to further this goal, the Company determined that it was in the best interests of the Company to enter into At-Will Employment and Severance Agreements (the Agreements) with twelve senior executives of the Company, including Karen M. Spaun and James M. Mahoney. These Agreements provide for a lump-sum severance payment (of up to twelve months of the executive's annual base salary, plus one times the executive's targeted annual bonus) to the executive in the event the executive's employment is terminated without Good Cause or by the executive for Good Reason within two years following a Change of Control of the Company. If the executive is terminated within the two year period following a Change of Control and the termination is for Good Cause, then, no severance payment would be due the executive. Further, if the executive voluntarily resigns or his or her employment is not terminated within the two year period following a Change of Control and the executive's employment is terminated thereafter, no severance payment would be due the executive.

Under the Agreements, the terms Cause, Change in Control, and Good Reason have substantially the same meanings as those terms described above in the section entitled *Terms Applicable to the Employment Agreements*.

The Compensation Committee reviewed and approved the Agreements and those executives eligible for such Agreements. The actions of the Compensation Committee were also ratified by the Board of Directors of the Company.

**Table of Contents**

**Meadowbrook Insurance Group, Inc. Stock Option Plans**

The Company maintains a stock option plan, the 2002 Amended and Restated Stock Option Plan (the 2002 Plan ) for which shares of common stock may be issued. The number of shares which may be issued under the 2002 Plan is 2,000,000. The Company previously issued stock options under its 1995 Amended and Restated Stock Option Plan (the 1995 Plan ), which was a ten-year plan and expired in 2005. Therefore, shares of common stock may no longer be issued under the 1995 Plan. Options issued under the 2002 Plan, which are unexercised and expired, will again become available for grant under the 2002 Plan. Cash exercises of stock appreciation rights and cash supplemental payments will not count against these limits. Lapsed, forfeited or canceled awards will also not count against these limits. The maximum number of shares of Common Stock which may be issued under the 2002 Plan to any single individual is 800,000.

As of the Record Date, the number of shares of common stock remaining available for future issuance under the 2002 Plan was 774,601 shares. As of the Record Date, there were 69,750 options outstanding, which were provided for in the 1995 Plan. There were no outstanding options provided for in the 2002 Plan outstanding as of the Record Date.

**REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD ON  
EXECUTIVE COMPENSATION**

The Compensation Committee of the Company s Board of Directors has submitted the following report for inclusion in the Proxy Statement:

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on this review and the discussions with management with respect to the Compensation Discussion and Analysis, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Proxy Statement and in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the Compensation Committee:

**The Compensation Committee**

Robert H. Naftaly, Chairman  
Hugh W. Greenberg  
David K. Page  
Herbert Tyner

**Table of Contents**

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee (the Committee) has adopted a Charter outlining its duties and responsibilities on matters relating to financial reporting, internal audit, accounting practices, internal controls, loss reserving and selection of the Company's independent registered public accounting firm. This Charter is available to shareholders on the Company's website, at [www.meadowbrook.com](http://www.meadowbrook.com).

The Committee consists of all independent directors. The members are: Bruce E. Thal, Chairman, Robert H. Naftaly, Robert Sturgis and Hugh Greenberg. The Committee recommended and the Board of Directors appointed Bruce E. Thal as the Committee's financial expert, in accordance with the Sarbanes-Oxley Act of 2002.

During 2007, the Committee met with members of the Company's financial management team at each of its meetings. The Company's independent auditors attended all of the Committee meetings. The Committee also met with the Company's independent actuarial consultants. During these meetings, the Committee held discussions with the independent auditors and the actuarial consultants relating to financial management, accounting practices, loss reserves, internal audit and other internal control related issues. The Committee met in executive sessions with the Company's independent auditors and actuarial consultants. In addition, the Committee met in executive sessions with the Company's Chief Financial Officer, Chief Actuary, Director of Internal Audit and General Counsel.

In 2007, the Committee appointed (subject to ratification by the shareholders) Ernst & Young LLP as the Company's independent registered public accounting firm, which was approved by the Board of Directors of the Company.

During 2007, the Committee reviewed the Company's financial management with the independent registered public accounting firm. The Committee reviewed the results of the Ernst & Young LLP audit for 2007. The Committee reviewed the audited financial statements, which are included in the Company's Annual Report on Form 10-K. The Committee received a report from the Company's independent actuarial firm relating to the Company's loss reserves. In addition, the Committee received reports from Ernst & Young LLP and the Company's Internal Audit Department relating to the Company's compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Committee is responsible for overseeing the Company's project plan and compliance with Section 404.

The Committee also discussed with the independent registered public accounting firm other matters required to be discussed by Statement of Auditing Standards No. 61, *Communications with Audit Committees*, as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Committee received and discussed with the independent registered public accounting firm their annual written report on their independence from the Company and its management, which is made under Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*.

In reliance upon these reviews and discussions, and the report of the independent registered public accounting firm, the Committee has recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

**The Audit Committee**

Bruce E. Thal, Chairman  
Hugh W. Greenberg  
Robert H. Naftaly



Robert W. Sturgis

**Table of Contents**

**THE SECOND PROPOSAL ON WHICH YOU ARE VOTING  
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

Subject to ratification by the shareholders, the Board has appointed Ernst & Young LLP as the independent registered public accounting firm of the Company for the current year. The affirmative vote of a majority of shares of the Company's common stock present in person or represented by proxy at the Annual Meeting is required to ratify the appointment of Ernst & Young LLP. Unless you otherwise indicate on your proxy card, your returned proxy will be voted FOR ratification of the reappointment of Ernst & Young LLP.

A representative from Ernst & Young LLP will be available at the annual meeting to respond to any appropriate questions from shareholders.

**The Company's Board recommends you vote FOR the ratification of the appointment  
of the independent registered public accounting firm.**

**AUDIT AND RELATED FEES**

Set forth below is the information relating to fees billed to the Company by Ernst & Young LLP in respect to the services provided for fiscal years 2007 and 2006. The Audit Committee and the Board reviewed and approved such fees and determined the services provided were compatible with maintaining the independence of Ernst & Young LLP.

<b>Fees</b>	<b>2007 E&amp;Y</b>	<b>2006 E&amp;Y</b>
Audit Fees	\$ 1,296,079	\$ 1,288,257
Audit Related Fees		
Tax Fees	19,250	16,500
All Other Fees		
<b>TOTAL</b>	<b>\$ 1,315,329</b>	<b>\$ 1,304,757</b>

**Audit Fees**

Annual audit fees relate to services rendered in connection with the audit of the annual financial statements and internal control over financial reporting, as of December 31, 2007, as well as the interim quarterly reviews of financial statements included in the Company's Form 10-Q filings. In addition, a portion of the fees paid to Ernst & Young LLP in 2007 included fees related to the Company's equity offering in 2007, as well as consultation fees related to the Company's response to a Securities and Exchange Commission comment letter received by the Company in 2007.

**Audit Related Fees**

Audit related fees would be for professional services rendered by the independent registered public accounting firm in connection with services related to the performance of the audit. No professional services were rendered by Ernst & Young LLP for audit related fees.

**Tax Fees**

These fees relate to tax services including fees for tax compliance, tax advice and tax planning.

**All Other Fees**

No professional services were rendered by Ernst & Young LLP for other services.

## **Table of Contents**

### **Audit Committee Policy on Pre-Approval of Services Rendered by Independent Registered Public Accounting Firm**

In accordance with the Securities and Exchange Commission rules issued pursuant to the Sarbanes Oxley Act of 2002, which require, among other things, the Audit Committee pre-approve all audit and non-audit services provided by the Company's independent registered public accounting firm. The Audit Committee has adopted a formal policy on auditor independence. This policy requires the approval by the audit committee for all professional services rendered by the Company's independent registered public accounting firm prior to the commencement of the specified services. The Audit Committee pre-approved all professional services rendered by the Company's independent registered public accounting firm. Likewise, the Board pre-approved all professional services rendered by the Company's independent registered public accounting firm prior to the commencement of the services.

### **Audit Committee Financial Expert**

The Board has determined that the Company have an Audit Committee financial expert, as defined by the Securities and Exchange Commission, serving on its Audit Committee. Mr. Bruce E. Thal is the Audit Committee financial expert. He is independent as such term for audit committee members as defined in the New York Stock Exchange's independence standards, as those standards have been modified or supplemented, and he has no other relationship that would impair his independence.

### **Auditor Independence**

The Audit Committee had considered whether the providing of services described under the subheading Tax Fees above were compatible with maintaining Ernst & Young LLP's independence. After such consideration, the Audit Committee determined the services were compatible with maintaining the auditor's independence.

### **Certain Relationships and Related Party Transactions**

The Company's Governance and Nominating Committee Charter states that the Governance and Nominating Committee is responsible for reviewing and approving all related party transactions between the Company and any related party. Annually, the Company requires all management employees, including the named executive officers, and Board members to complete a questionnaire disclosing potential conflicts of interest transactions and/or relationships. The Governance and Nominating Committee annually reviews transactions with the Company and other companies with which the Company's Board members and executive officers are affiliated to the extent reported in response to the questionnaires. In addition, the Governance and Nominating Committee is responsible for establishing, reviewing, and monitoring compliance with the Company's Code of Conduct and Business Conduct policies. For purposes of the Governance and Nominating Committee approval, a related party transaction is defined as any transaction that is required to be reported under Item 404 of SEC Regulation S-K.

All transactions disclosed below have been reviewed and approved or ratified by the Governance and Nominating Committee.

### **Demand Note**

At December 31, 2007, the Company held an \$870,000 Demand Note receivable, including \$209,000 of accrued interest, from Robert S. Cubbin and Kathleen D. Cubbin. In 2007, Mr. Cubbin paid \$43,800 to the Company in interest relating to the Demand Note. This Demand Note arose from a transaction in late 1998 whereby the Company loaned Robert S. Cubbin and Kathleen D. Cubbin funds to exercise 64,718 common stock options to cover the exercise price and associated tax withholdings. The Demand Note bears a rate of interest equal to the rate charged the

Company pursuant to its current revolving credit agreement. On December 31, 2007, the rate was 6.2%. The Demand Note is due on demand. The loan is partially collateralized by 64,718 shares of the Company's common stock, pursuant to a Stock Pledge Agreement. The Demand Note between the Company and Mr. and Mrs. Cubbin is a non-recourse loan with the Company's sole remedy in the event of a default being the reclamation of the shares of the Company that were pledged as collateral. Refer to the *EMPLOYMENT CONTRACTS* section above.

**Table of Contents**

**Employees**

*Sue Cubbin*, Vice President of Human Resources, is the sister of Robert S. Cubbin, President and Chief Executive Officer of the Company. In her capacity as Vice President of Human Resources, Ms. Cubbin is responsible for all human resource matters relating to compensation, fringe benefits, payroll, education and training, hiring and performance reviews of the Company's employees. In addition, she is responsible for facilities management of the Company's Southfield, Michigan headquarters.

*Laura Segal*, a Vice President in the Southfield branch, is the daughter of the Chairman of the Board, Merton J. Segal. Ms. Segal is responsible for management of the Company's largest public entity program, which is located in Michigan.

*Carol Ziecik*, Vice President of Corporate Communications, is the daughter of the Chairman of the Board, Merton J. Segal. Ms. Ziecik is responsible for the corporate communications of the Company, marketing materials, the annual report and other similar matters.

In 2007, the total compensation for Ms. Cubbin, Ms. Segal, and Ms. Ziecik was \$488,896, which included a total of \$88,000 in annual incentive bonuses earned in 2007, but paid in 2008 and \$84,096 related to stock option exercises.

On February 7, 2008, the Governance and Nominating Committee reviewed the compensation of Ms. Cubbin, Ms. Segal and Ms. Ziecik. The Governance and Nominating Committee determined there had been no material change in either the compensation or duties of these employees and concluded the compensation paid these employees was fair and reasonable in relation to the comparable information and their experience, duties and responsibilities. On February 8, 2008, the Board approved the continued employment of Ms. Cubbin, Ms. Segal and Ms. Ziecik.

**OTHER MATTERS**

The Company is not aware of any matter that may be brought before the Annual Meeting other than as described above. In the event any other matter properly comes before the Annual Meeting, the persons named in the accompanying form of proxy have discretionary authority to vote on such matters.

Dated: April 3, 2008

**Table of Contents**

MEADOWBROOK INSURANCE GROUP, INC. Signature Signature Date Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. FOR AGAINST ABSTAIN Withhold All For All Except (INSTRUCTION: To withhold authority to vote for any individual nominee, write the name(s) of such nominee(s) below.) 1. Election of Directors Nominees: 01 Robert H. Naftaly 02 Robert W. Sturgis 03 Bruce E. Thal 2. Ratification of the Appointment of Independent Registered Public Accounting Firm Mark Here for Address Change or Comments PLEASE SEE REVERSE SIDE FOR All

FOLD AND DETACH HERE YOUR VOTE IS IMPORTANT PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE PROMPTLY.

MEADOWBROOK INSURANCE GROUP, INC.

Signature Signature Date

Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. FOR AGAINST ABSTAIN Withhold All For All Except

(INSTRUCTION:

To withhold authority to vote for any individual nominee, write the name(s) of such nominee(s) below.)

1. Election of Directors Nominees: 01 Robert H. Naftaly 02 Robert W. Sturgis 03 Bruce E. Thal 2. Ratification of the Appointment of Independent Registered Public Accounting Firm Mark Here for Address Change or Comments PLEASE SEE REVERSE SIDE FOR All FOLD AND DETACH HERE YOUR VOTE IS IMPORTANT PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE PROMPTLY.

FOLD AND DETACH HERE

---

**Table of Contents**

Address Change/Comments (Mark the corresponding box on the reverse side) PROXY PROXY  
MEADOWBROOK INSURANCE GROUP, INC.

Proxy for 2008 Annual Meeting of Stockholders To beheld May 9, 2008 THE PROXY IS SOLICITED  
BY THE BOARD OF DIRECTORS OF MEADOWBROOK INSURANCE GROUP, INC.

The undersigned stockholder of MEADOWBROOK INSURANCE GROUP, INC (the Company ) here by  
appoints ROBERTS. CUBBIN, KAREN M. SPAUN or MICHAEL G. COSTELLO, jointly and severally,  
the attorney and proxies of the undersigned stockholder, with the full power of substitution, to vote all of  
the shares of common stock of the Company standing in the name of the undersigned stockholder at the  
close of business on March 14, 2008 at th 2008 Annual Meeting (the Annual Meeting ) of the stockholders  
of the Company to be held on Friday, May 9, 2008 and at any adjournments thereof, with all the powers  
the undersigned stockholder would possess if then, and the represent.

The undersigned stockholder acknowledges receipt to the Notice of the 2008 Annual Meeting and Proxy  
Statement, Both dated April 3, 2008.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE  
PROMPTLY (Continued and to be signed on reverse)

PRINT AUTHORIZATION To commence printing on this proxy card please sign, date and fax this card  
to: 732 802 0260

SIGNATURE: DATE:

Mark this box if you would like the Proxy Card EDGARized: ASCII EDGAR II (HTML) (THIS BOXED  
AREA DOES NOT PRINT) Registered Quantity1000.00