

AMERISAFE INC  
Form 10-Q  
October 30, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015**

**Commission file number:**

**001-12251**

**AMERISAFE, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Texas**  
**(State of Incorporation)**

**75-2069407**  
**(I.R.S. Employer)**

**Identification Number)**

**2301 Highway 190 West, DeRidder, Louisiana**  
**(Address of Principal Executive Offices)**

**70634**  
**(Zip Code)**

**Registrant's telephone number, including area code: (337) 463-9052**

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

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 28, 2015, there were 19,093,792 shares of the Registrant's common stock, par value \$.01 per share, outstanding.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page No.</b>
<b><u>FORWARD-LOOKING STATEMENTS</u></b>	3
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
Item 1 <u>Financial Statements</u>	4
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
Item 4 <u>Controls and Procedures</u>	23
<b><u>PART II - OTHER INFORMATION</u></b>	
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
Item 6 <u>Exhibits</u>	24

Table of Contents

**FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the current views of our senior management with respect to our financial performance and future events with respect to our business and the insurance industry in general. Statements that include the words expect, intend, plan, believe, project, forecast, estimate, may, should, similar statements of a future or forward-looking nature identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

increased competition on the basis of types of insurance offered, premium rates, coverage availability, payment terms, claims management, safety services, policy terms, overall financial strength, financial ratings and reputation;

the cyclical nature of the workers' compensation insurance industry;

general economic conditions, including recession, inflation, performance of financial markets, interest rates, unemployment rates and fluctuating asset values;

greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;

technology breaches or failures, including those resulting from a malicious cyber attack on the Company or its policyholders and medical providers;

adverse developments in economic, competitive or regulatory conditions within the workers' compensation insurance industry;

decreased demand for our insurance;

changes in regulations, laws, rates, or rating factors applicable to the Company, its policyholders or the agencies that sell its insurance;

loss of the services of any of our senior management or other key employees;

changes in rating agency policies, practices or ratings;

changes in the availability, cost or quality of reinsurance and the failure of our reinsurers to pay claims in a timely manner or at all;

decreased level of business activity of our policyholders caused by decreased business activity generally, and in particular in the industries we target;

changes in legal theories of liability under our insurance policies;

developments in capital markets that adversely affect the performance of our investments;

the effects of U.S. involvement in hostilities with other countries and large-scale acts of terrorism, or the threat of hostilities or terrorist acts; and

other risks and uncertainties described from time to time in the Company's filings with the Securities and Exchange Commission (SEC).

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report, and under the caption "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate.

**Table of Contents****PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.****AMERISAFE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share and per share data)**

	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>Assets</b>		
Investments:		
Fixed maturity securities held-to-maturity, at amortized cost (fair value \$679,893 and \$664,371 in 2015 and 2014, respectively)	\$ 660,250	\$ 639,631
Fixed maturity securities available-for-sale, at fair value (cost \$364,748 and \$327,004 in 2015 and 2014, respectively)	369,833	331,242
Equity securities available-for-sale, at fair value (cost \$0 in 2015 and 2014)	31	28
Short-term investments	7,057	33,684
Other investments	11,759	11,748
<b>Total investments</b>	<b>1,048,930</b>	<b>1,016,333</b>
Cash and cash equivalents	99,899	90,956
Amounts recoverable from reinsurers	91,092	85,888
Premiums receivable, net of allowance	194,086	178,917
Deferred income taxes	31,688	31,231
Accrued interest receivable	12,208	11,637
Property and equipment, net	6,945	7,240
Deferred policy acquisition costs	21,089	19,649
Federal income tax recoverable		1,082
Other assets	46,603	14,287
<b>Total assets</b>	<b>\$ 1,552,540</b>	<b>\$ 1,457,220</b>
<b>Liabilities and shareholders equity</b>		
Liabilities:		
Reserves for loss and loss adjustment expenses	\$ 720,710	\$ 687,602
Unearned premiums	176,270	168,576
Reinsurance premiums payable	274	843
Amounts held for others	49,287	42,827
Policyholder deposits	47,944	48,722
Insurance-related assessments	33,531	29,315
Federal income tax payable	979	

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Accounts payable and other liabilities	30,000	30,110
Payable for investments purchased	2,969	2,257
<b>Total liabilities</b>	<b>1,061,964</b>	<b>1,010,252</b>
<b>Shareholders' equity:</b>		
Common stock:		
Voting \$0.01 par value authorized shares 50,000,000 in 2015 and 2014; 20,352,042 and 20,155,936 shares issued and 19,093,792 and 18,897,686 shares outstanding in 2015 and 2014, respectively	203	201
Additional paid-in capital	203,322	199,138
Treasury stock at cost (1,258,250 shares in 2015 and 2014)	(22,370)	(22,370)
Accumulated earnings	306,061	267,189
Accumulated other comprehensive income, net	3,360	2,810
<b>Total shareholders' equity</b>	<b>490,576</b>	<b>446,968</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,552,540</b>	<b>\$ 1,457,220</b>

See accompanying notes.

Table of Contents

## AMERISAFE, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Revenues</b>				
Gross premiums written	\$ 91,061	\$ 93,962	\$ 297,872	\$ 303,485
Ceded premiums written	(4,232)	(3,823)	(9,317)	(10,655)
Net premiums written	\$ 86,829	\$ 90,139	\$ 288,555	\$ 292,830
Net premiums earned	\$ 90,504	\$ 95,928	\$ 280,860	\$ 278,677
Net investment income	6,923	6,495	20,646	20,048
Net realized gains/(losses) on investments	40	(152)	(2,518)	181
Fee and other income	3	65	206	227
Total revenues	97,470	102,336	299,194	299,133
<b>Expenses</b>				
Loss and loss adjustment expenses incurred	48,942	61,822	166,252	185,570
Underwriting and certain other operating costs	9,293	7,822	26,043	24,624
Commissions	6,696	7,022	20,606	20,696
Salaries and benefits	6,278	6,183	18,070	18,090
Policyholder dividends	371	139	1,024	340
Total expenses	71,580	82,988	231,995	249,320
Income before income taxes	25,890	19,348	67,199	49,813
Income tax expense	7,950	5,869	19,810	13,012
Net income	17,940	13,479	47,389	36,801
Net income available to common shareholders	\$ 17,940	\$ 13,479	\$ 47,389	\$ 36,801
<b>Earnings per share</b>				
Basic	\$ 0.95	\$ 0.72	\$ 2.51	\$ 1.98
Diluted	\$ 0.94	\$ 0.71	\$ 2.48	\$ 1.95



**Shares used in computing earnings per share**

Basic	18,968,718	18,676,033	18,911,675	18,603,227
Diluted	19,096,259	18,929,777	19,088,140	18,905,880
Extraordinary cash dividends declared per common share	\$	\$	\$	\$ 0.50
Cash dividends declared per common share	\$ 0.15	\$ 0.12	\$ 0.45	\$ 0.36

See accompanying notes.

Table of Contents**AMERISAFE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 17,940	\$ 13,479	\$ 47,389	\$ 36,801
Other comprehensive income:				
Unrealized gain on securities, net of tax	1,308	117	550	6,373
Comprehensive income	\$ 19,248	\$ 13,596	\$ 47,939	\$ 43,174

**AMERISAFE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(in thousands, except share data)

(unaudited)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amounts				
Balance at December 31, 2014	20,155,936	\$ 201	(1,258,250)	\$ (22,370)	\$ 199,138	\$ 267,189	\$ 2,810	\$ 446,968
Comprehensive income						47,389	550	47,939
Options exercised	156,850	2			1,275			1,277
Tax benefit from share-based payments					1,795			1,795
Restricted common stock issued	39,256				502			502
Share-based compensation					612			612

Dividends to stockholders						(8,517)		(8,517)
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Balance at September 30, 2015	20,352,042	\$ 203	(1,258,250)	\$ (22,370)	\$ 203,322	\$ 306,061	\$ 3,360	\$ 490,576
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See accompanying notes.

Table of Contents

**AMERISAFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating Activities</b>		
Net income	\$ 47,389	\$ 36,801
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,030	958
Net amortization of investments	12,295	11,336
Deferred income taxes	(752)	(3,616)
Net realized (gains)/losses on investments	2,518	(181)
Net realized losses on sale of fixed assets	24	
Share-based compensation	691	988
Changes in operating assets and liabilities:		
Premiums receivable, net	(15,169)	(22,036)
Accrued interest receivable	(571)	(26)
Deferred policy acquisition costs	(1,440)	(1,845)
Amounts held by others	(27,847)	(1,081)
Other assets	(1,712)	(2,669)
Reserves for loss and loss adjustment expenses	33,108	62,052