

SAFETY INSURANCE GROUP INC

Form 10-Q

May 08, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from to

Commission File Number: 000-50070

SAFETY INSURANCE GROUP, INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

13-4181699

(I.R.S. Employer Identification No.)

20 Custom House Street, Boston, Massachusetts 02110

(Address of principal executive offices including zip code)

(617) 951-0600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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

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 May 5, 2009, there were 15,761,235 shares of common stock with a par value of \$0.01 per share outstanding.

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	March 31, 2009	December 31, 2008
Assets		
Investment securities available for sale:		
Fixed maturities, at fair value (amortized cost: \$945,901 and \$929,836)	\$ 951,218	\$ 920,171
Equity securities, at fair value (cost: \$9,499 and \$8,419)	9,405	8,040
Short term securities, at amortized cost which approximates fair value	67,972	82,928
Total investment securities	1,028,595	1,011,139
Cash and cash equivalents	30,604	60,451
Accounts receivable, net of allowance for doubtful accounts	138,079	138,792
Accrued investment income	9,827	9,957
Taxes recoverable	4,224	5,300
Receivable from reinsurers related to paid loss and loss adjustment expenses	10,057	10,835
Receivable from reinsurers related to unpaid loss and loss adjustment expenses	72,635	76,489
Ceded unearned premiums	21,203	21,620
Deferred policy acquisition costs	47,656	46,687
Deferred income taxes	13,456	18,986
Equity and deposits in pools	25,648	23,578
Other assets	14,709	13,983
Total assets	\$ 1,416,693	\$ 1,437,817
Liabilities		
Loss and loss adjustment expense reserves	\$ 456,757	\$ 467,559
Unearned premium reserves	294,883	289,695
Accounts payable and accrued liabilities	31,749	51,111
Payable for securities purchased	2,532	
Payable to reinsurers	7,731	8,291
Other liabilities	17,509	17,790
Total liabilities	811,161	834,446
Commitments and contingencies (Note 7)		
Shareholders equity		
Common stock: \$0.01 par value; 30,000,000 shares authorized; 16,608,149 and 16,464,530 shares issued	166	165
Additional paid-in capital	141,242	140,261
Accumulated other comprehensive income (loss), net of taxes	3,395	(6,528)
Retained earnings	482,359	476,989
Treasury stock, at cost; 686,861 and 232,013 shares	(21,630)	(7,516)
Total shareholders equity	605,532	603,371
Total liabilities and shareholders equity	\$ 1,416,693	\$ 1,437,817

The accompanying notes are an integral part of these financial statements.

Table of Contents**Safety Insurance Group, Inc. and Subsidiaries****Consolidated Statements of Operations****(Unaudited)****(Dollars in thousands, except per share data)**

	Three Months Ended March 31,	
	2009	2008
Net earned premiums	\$ 135,350	\$ 150,748
Net investment income	10,422	11,528
Net realized (losses) gains on investments	(318)	31
Finance and other service income	4,088	4,498
Total revenue	149,542	166,805
Losses and loss adjustment expenses	92,882	95,870
Underwriting, operating and related expenses	41,072	44,465
Interest expenses	22	19
Total expenses	133,976	140,354
Income before income taxes	15,566	26,451
Income tax expense	3,722	7,406
Net income	\$ 11,844	\$ 19,045
Earnings per weighted average common share:		
Basic	\$ 0.73	\$ 1.18
Diluted	\$ 0.73	\$ 1.17
Cash dividends paid per common share	\$ 0.40	\$ 0.40

The accompanying notes are an integral part of these financial statements.

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Safety Insurance Group, Inc. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income, Net of Taxes	Retained Earnings	Treasury Stock	Total Shareholders Equity
Balance at December 31, 2007	\$ 162	\$ 134,224	\$ 4,453	\$ 432,746	\$ (1,585)	\$ 570,000
Net income, January 1 to March 31, 2008				19,045		19,045
Other comprehensive income, net of deferred federal income taxes			3,943			3,943
Exercise of options and unearned compensation on restricted stock, net of deferred federal income taxes	2	986				988
Dividends paid				(6,478)		(6,478)
Acquisition of treasury stock					(2,444)	(2,444)
Balance at March 31, 2008	\$ 164	\$ 135,210	\$ 8,396	\$ 445,313	\$ (4,029)	\$ 585,054

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Retained Earnings	Treasury Stock	Total Shareholders Equity
Balance at December 31, 2008	\$ 165	\$ 140,261	\$ (6,528)	\$ 476,989	\$ (7,516)	\$ 603,371
Net income, January 1 to March 31, 2009				11,844		11,844
Other comprehensive income, net of deferred federal income taxes			9,923			9,923
Exercise of options and unearned compensation on restricted stock, net of deferred federal income taxes	1	981				982
Dividends paid				(6,474)		(6,474)
Acquisition of treasury stock					(14,114)	(14,114)
Balance at March 31, 2009	\$ 166	\$ 141,242	\$ 3,395	\$ 482,359	\$ (21,630)	\$ 605,532

The accompanying notes are an integral part of these financial statements.

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Safety Insurance Group, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

**Three Months Ended March 31,
2009**