

SAFETY INSURANCE GROUP INC

Form 10-Q

November 06, 2015

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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

OR

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)

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

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)

Not Applicable

(Former name or former address, if changed since last report)

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 November 4, 2015 there were 15,093,073 shares of common stock with a par value of \$0.01 per share outstanding.

---

Table of Contents

SAFETY INSURANCE GROUP, INC.

TABLE OF CONTENTS

	Page No.
Part I. Financial Information	
Item 1. Consolidated Financial Statements	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Operations</u>	4
<u>Consolidated Statements of Comprehensive (Loss) Income</u>	5
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	6
<u>Consolidated Statements of Cash Flows</u>	7
<u>Notes to Unaudited Consolidated Financial Statements</u>	8
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3.</u> <u>Quantitative and Qualitative Information about Market Risk</u>	42
<u>Item 4.</u> <u>Controls and Procedures</u>	42
Part II. Other Information	
<u>Item 1A.</u> <u>Risk Factors</u>	44
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
<u>Item 3.</u> <u>Defaults upon Senior Securities</u>	44
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	44
<u>Item 5.</u> <u>Other Information</u>	44
<u>Item 6.</u> <u>Exhibits</u>	44
<u>SIGNATURE</u>	45
<u>EXHIBIT INDEX</u>	46

Table of Contents

Safety Insurance Group, Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except share data)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Investments:		
Securities available for sale:		
Fixed maturities, at fair value (amortized cost: \$1,046,663 and \$1,102,517)	\$ 1,071,167	\$ 1,135,451
Equity securities, at fair value (cost: \$100,704 and \$97,910)	103,672	109,153
Other invested assets	15,319	11,657
Total investments	1,190,158	1,256,261
Cash and cash equivalents	43,243	42,455
Accounts receivable, net of allowance for doubtful accounts	193,768	175,532
Receivable for securities sold	795	—
Accrued investment income	9,394	10,295
Taxes recoverable	23,929	—
Receivable from reinsurers related to paid loss and loss adjustment expenses	42,092	6,267
Receivable from reinsurers related to unpaid loss and loss adjustment expenses	74,078	61,245
Ceded unearned premiums	22,214	19,638
Deferred policy acquisition costs	72,976	67,329
Deferred income taxes	4,298	—
Equity and deposits in pools	28,993	23,159
Other assets	13,717	13,538
Total assets	\$ 1,719,655	\$ 1,675,719
Liabilities		
Loss and loss adjustment expense reserves	\$ 553,329	\$ 482,012
Unearned premium reserves	425,009	390,361
Accounts payable and accrued liabilities	43,073	65,863
Payable for securities purchased	4,296	4,591
Payable to reinsurers	26,280	&n