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SAFETY ANNOUNCES SECOND QUARTER 2008 RESULTS AND DECLARES THIRD QUARTER 2008 DIVIDEND

Boston, Massachusetts, August 4, 2008. Safety Insurance Group, Inc. (NASDAQ:SAFT) today reported second quarter 2008 results. Net income for the quarter ended June 30, 2008 was \$20.9 million, or \$1.30 per diluted share, compared to \$22.9 million, or \$1.42 per diluted share, for the comparable 2007 period. Net income for the six months ended June 30, 2008 was \$40.0 million, or \$2.48 per diluted share, compared to \$47.6 million, or \$2.95 per diluted share, for the comparable 2007 period. Safety's book value per share increased to \$36.19 at June 30, 2008 compared to \$35.20 at December 31, 2007. Safety paid \$0.40 per share in dividends to investors during the quarter ended June 30, 2008 compared to \$0.25 per share during the comparable 2007 period. Safety paid \$1.30 per share in dividends to investors during the year ended December 31, 2007.

Direct written premiums for the quarter ended June 30, 2008 decreased by \$6.7 million, or 4.3%, to \$151.8 million from \$158.5 million for the comparable 2007 period. Direct written premiums for the six months ended June 30, 2008 decreased by \$19.9 million, or 5.9%, to \$320.1 million from \$340.0 million for the comparable 2007 period. The 2008 decrease occurred primarily in our personal and commercial automobile lines, which experienced decreases of 7.5% and 2.1%, respectively, in average written premium per exposure. The decrease in our personal automobile line was largely as a result of a Massachusetts-mandated private passenger rate decrease of 11.7% effective April 1, 2007, and a further rate decrease of 6.5% effective in 2008 which we filed under the competitive pricing system recently introduced to the private passenger automobile market in Massachusetts.

Net written premiums for the quarter ended June 30, 2008 decreased by \$8.3 million, or 5.3%, to \$148.3 million from \$156.6 million for the comparable 2007 period. Net written premiums for the six months ended June 30, 2008 decreased by \$18.0 million, or 5.4%, to \$312.5 million from \$330.5 million for the comparable 2007 period. These decreases were due to the factors that decreased direct written premiums combined with decreases in premiums assumed from Commonwealth Automobile Reinsurers ("CAR"), and partially offset by decreases in premiums ceded to CAR. Net earned premiums for the quarter ended June 30, 2008 decreased by \$6.9 million, or 4.5%, to \$147.0 million from \$153.9 million for the comparable 2007 period. Net earned premiums for the six months ended June 30, 2008 decreased by \$9.8 million, or 3.2%, to \$297.7 million from \$307.5 million for the comparable 2007 period. These decreases were due to the factors that decreased direct and net written premiums. The effect of assumed and ceded premiums on net written and net earned premiums is presented in the attached tables.

Net investment income for the quarter ended June 30, 2008 was \$11.2 million compared to \$10.8 million for the comparable 2007 period. Net investment income for the six months ended June 30, 2008 was \$22.7 million compared to \$21.8 million for the comparable 2007 period. Average cash and investment securities (at cost) increased by \$69.0 million, or 7.0%, to \$1,049.4 million for the quarter ended June 30, 2008 from \$980.4 million for the comparable 2007 period. Net effective annualized yield on the investment portfolio decreased to 4.3% during the six months ended June 30, 2008 from 4.5% during the comparable 2007 period. Our duration remained at 4.2 years at June 30, 2008, consistent with 4.2 years at December 31, 2007. Net realized gains on investments was \$2.1 million for both the quarter and six months ended June 30, 2008 compared to net realized losses of \$0.2 million and \$0.1 million, respectively, for the comparable 2007 periods.

As of June 30, 2008, our portfolio of fixed maturity investments was comprised entirely of investment grade securities. We hold no subprime mortgage debt securities. All of our mortgage-backed securities are either U.S. Government or Agency guaranteed or are rated Aaa/AAA. We continue to expect the recent subprime mortgage market deterioration to have little or no effect on our portfolio.

Loss, expense and combined ratios calculated under U.S. generally accepted accounting principles ("GAAP") for the quarter ended June 30, 2008 were 62.0%, 30.3% and 92.3% compared to 60.3%, 27.9% and 88.2% for the comparable 2007 period. Loss, expense and combined ratios calculated under GAAP for the six months ended June 30, 2008 were 62.8%, 29.9% and 92.7% compared to 60.3%, 27.2% and 87.5% for the comparable 2007 period. The loss ratio increased for the quarter and year ending June 30, 2008 primarily as a result of a decrease in our personal automobile earned premiums per exposure. Total prior year favorable development included in the pre-tax results for the quarter and six months ended June 30, 2008 was \$5.5 million and \$14.7 million, respectively, compared to prior year favorable development of \$5.4 million and \$14.7 million, respectively, for the comparable 2007 periods.

On August 4, 2008, the Board of Directors approved and declared a quarterly cash dividend of \$0.40 per share on the issued and outstanding common stock, payable on September 15, 2008 to shareholders of record at the close of business on September 2, 2008.

About Safety: Safety Insurance Group, Inc. is the parent of Safety Insurance Company, Safety Indemnity Insurance Company, and Safety Property and Casualty Insurance Company which are Boston, MA, based writers of property and casualty insurance. Safety is a leading writer of personal automobile insurance in Massachusetts.

Additional Information: Press releases, announcements, U. S. Securities and Exchange Commission ("SEC") Filings and investor information are available under "About Safety", "Investor Information" on our Company website located at www.SafetyInsurance.com. Safety filed its December 31, 2007 Form 10-K with the SEC on March 14, 2008 and urges shareholders to refer to those documents for more complete information concerning Safety's financial results.

Cautionary Statement under "Safe Harbor" Provision of the Private Securities Litigation Reform Act of 1995:

This press release contains, and Safety may from time to time make, written or oral "forward-looking statements" within the meaning of the U.S. federal securities laws.

Forward-looking statements might include one or more of the following, among others:

- *Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;*
- *Descriptions of plans or objectives of management for future operations, products or services;*
- *Forecasts of future economic performance, liquidity, need for funding and income;*
- *Descriptions of assumptions underlying or relating to any of the foregoing; and*
- *Future performance of credit markets*

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "aim," "projects," or words of similar meaning and expressions that indicate future events and trends, or future or conditional verbs such as "will," "would," "should," "could," or "may". All statements that address expectations or projections about the future, including statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward looking statements.

Forward-looking statements are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. There are a number of factors, many of which are beyond our control, that could cause actual future conditions, events, results or trends to differ significantly and/or materially from historical results or those projected in the forward-looking statements. These factors include but are not limited to the competitive nature of our industry and the possible adverse effects of such competition. Although a number of national insurers that are much larger than we are do not currently compete in a material way in the Massachusetts private passenger automobile market, if one or more of these companies decided to aggressively enter the market it could have a material adverse effect on us. Other significant factors include conditions for business operations and restrictive regulations in Massachusetts, the possibility of losses due to claims resulting from severe weather, the possibility that the Commissioner may approve future Rule changes that change the operation of the residual market, our possible need for and availability of additional financing, and our

dependence on strategic relationships, among others, and other risks and factors identified from time to time in our reports filed with the SEC, such as those set forth under the caption “Risk Factors” in our Form 10-K for the year ended December 31, 2007 filed with the SEC on March 14, 2008.

Some other factors, such as market, operational, liquidity, interest rate, equity and other risks, are described elsewhere in our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K. Factors relating to the regulation and supervision of our Company are also described or incorporated in our Quarterly Reports on Form 10-Q and our Company’s Annual Report on Form 10-K filed with the SEC on March 14, 2008. There are other factors besides those described or incorporated in this release or in the reports on Form 10-Q and Form 10-K that could cause actual conditions, events or results to differ from those in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We do not undertake any obligation to update publicly or revise any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

Safety Insurance Group, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except share data)

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Assets		
Investment securities available for sale:		
Fixed maturities, at fair value (amortized cost: \$984,596 and \$995,360)	\$ 979,271	\$ 1,002,028
Equity securities, at fair value (cost: \$8,728 and \$6,794)	<u>8,603</u>	<u>6,977</u>
Total investment securities	987,874	1,009,005
Cash and cash equivalents	64,115	46,311
Accounts receivable, net of allowance for doubtful accounts	163,843	156,343
Accrued investment income	10,404	10,972
Receivable from reinsurers related to paid loss and loss adjustment expenses	24,283	13,047
Receivable from reinsurers related to unpaid loss and loss adjustment expenses	78,396	84,290
Ceded unearned premiums	27,447	28,818
Deferred policy acquisition costs	52,185	48,652
Deferred income taxes	19,029	13,388
Equity and deposits in pools	24,245	26,235
Other assets	<u>12,458</u>	<u>9,931</u>
Total assets	<u><u>\$ 1,464,279</u></u>	<u><u>\$ 1,446,992</u></u>
Liabilities		
Loss and loss adjustment expense reserves	\$ 468,992	\$ 477,720
Unearned premium reserves	333,944	320,545
Accounts payable and accrued liabilities	34,926	50,023
Taxes payable	1,385	120
Outstanding claims drafts	17,144	17,922
Payable to reinsurers	<u>18,810</u>	<u>10,662</u>
Total liabilities	<u><u>875,201</u></u>	<u><u>876,992</u></u>
Shareholders' equity		
Common stock: \$0.01 par value; 30,000,000 shares authorized; 16,399,106 and 16,242,213 shares issued	164	162
Additional paid-in capital	136,748	134,224
Accumulated other comprehensive (loss) income, net of taxes	(3,543)	4,453
Retained earnings	459,738	432,746
Treasury stock, at cost; 122,324 and 48,124 shares	<u>(4,029)</u>	<u>(1,585)</u>
Total shareholders' equity	<u><u>589,078</u></u>	<u><u>570,000</u></u>
Total liabilities and shareholders' equity	<u><u>\$ 1,464,279</u></u>	<u><u>\$ 1,446,992</u></u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net earned premiums	\$ 147,002	\$ 153,925	\$ 297,750	\$ 307,515
Net investment income	11,207	10,780	22,735	21,819
Net realized gains (losses) on investments	2,072	(162)	2,103	(91)
Finance and other service income	4,515	3,995	9,013	7,988
Total revenue	<u>164,796</u>	<u>168,538</u>	<u>331,601</u>	<u>337,231</u>
Losses and loss adjustment expenses	91,078	92,769	186,948	185,327
Underwriting, operating and related expenses	44,474	43,021	88,939	83,719
Interest expenses	18	19	37	41
Total expenses	<u>135,570</u>	<u>135,809</u>	<u>275,924</u>	<u>269,087</u>
Income before income taxes	29,226	32,729	55,677	68,144
Income tax expense	8,295	9,813	15,701	20,580
Net income	<u>\$ 20,931</u>	<u>\$ 22,916</u>	<u>\$ 39,976</u>	<u>\$ 47,564</u>
Earnings per weighted average common share:				
Basic	<u>\$ 1.31</u>	<u>\$ 1.43</u>	<u>\$ 2.49</u>	<u>\$ 2.97</u>
Diluted	<u>\$ 1.30</u>	<u>\$ 1.42</u>	<u>\$ 2.48</u>	<u>\$ 2.95</u>
Cash dividends paid per common share	<u>\$ 0.40</u>	<u>\$ 0.25</u>	<u>\$ 0.80</u>	<u>\$ 0.50</u>
Weighted average number of common shares outstanding:				
Basic	<u>16,033,785</u>	<u>16,052,236</u>	<u>16,029,290</u>	<u>16,022,487</u>
Diluted	<u>16,103,949</u>	<u>16,127,154</u>	<u>16,090,388</u>	<u>16,096,412</u>

Safety Insurance Group, Inc. and Subsidiaries
Additional Premium Information
(Unaudited)
(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Written Premiums				
Direct	\$ 151,774	\$ 158,536	\$ 320,118	\$ 340,042
Assumed	10,402	16,964	24,992	30,491
Ceded	(13,904)	(18,887)	(32,591)	(40,006)
Net written premiums	<u>\$ 148,272</u>	<u>\$ 156,613</u>	<u>\$ 312,519</u>	<u>\$ 330,527</u>
Earned Premiums				
Direct	\$ 151,001	\$ 158,264	\$ 302,717	\$ 315,862
Assumed	12,745	15,173	28,995	31,567
Ceded	(16,744)	(19,512)	(33,962)	(39,914)
Net earned premiums	<u>\$ 147,002</u>	<u>\$ 153,925</u>	<u>\$ 297,750</u>	<u>\$ 307,515</u>