



## **SAFETY ANNOUNCES FOURTH QUARTER AND YEAR END 2020 RESULTS**

*Boston, Massachusetts, February 24, 2021.* Safety Insurance Group, Inc. (NASDAQ:SAFT) (“the Company”) today reported fourth quarter 2020 results. Net income for the quarter ended December 31, 2020 was \$53.0 million, or \$3.55 per diluted share, compared to net income of \$28.1 million, or \$1.82 per diluted share, for the comparable 2019 period. Net income for the year ended December 31, 2020 was \$138.2 million, or \$9.18 per diluted share, compared to net income of \$99.6 million, or \$6.46 per diluted share, for the comparable 2019 period. Non-generally accepted accounting principles (“non-GAAP”) operating income, as defined below, for the quarter ended December 31, 2020 was \$2.55 per diluted share, compared to \$1.44 per diluted share, for the comparable 2019 period. Non-GAAP operating income for the year ended December 31, 2020 was \$8.64 per diluted share, compared to \$5.25 per diluted share, for the comparable 2019 period.

Safety’s book value per share increased to \$59.40 at December 31, 2020 from \$52.55 at December 31, 2019, primarily as a result of net income and an increase in unrealized gains, partially offset by dividends paid and the purchase of treasury shares during the year ended December 31, 2020. During the year ended December 31, 2020 the Company purchased 551,598 shares, on the open market at a cost of \$40.0 million. No share purchases were made by the Company under the program during the year ended December 31, 2019. Safety paid \$3.60 per share in dividends to investors during the year ended December 31, 2020 compared to \$3.40 per share during the year ended December 31, 2019.

Beginning in March 2020, the global pandemic associated with the novel coronavirus COVID-19 (“COVID-19”) and related economic conditions caused significant economic effects including temporary closures of many businesses and reduced consumer activity due to shelter-in-place, stay-at-home and other governmental actions. The Company has continued to take many actions that address the health and well-being of our employees while still serving the needs of our agents and insureds.

Direct written premiums for the quarter ended December 31, 2020 decreased by \$7.1 million, or 3.7%, to \$182.6 million from \$189.7 million for the comparable 2019 period. Direct written premiums for the year ended December 31, 2020 decreased by \$53.7 million, or 6.3% to \$798.7 million from \$852.4 million for the comparable 2019 period. The 2020 decrease, in part, is attributable to our commercial automobile line of business and is a result of changes made by Commonwealth Automobile Reinsurers (“CAR”) to eligibility requirements which impacted the number of policies that we handle as a Servicing Carrier to the ceded pool. This resulted in a commensurate decrease in ceded written premium to and assumed from these programs. The decrease for the year ended December 31, 2020 also reflects the Safety Personal Auto Relief Credit, a 15% policyholder credit, representing \$17.7 million in total premium which was applied to personal auto policies for the months of April, May and June.

Net written premiums for the quarter ended December 31, 2020 decreased by \$4.5 million, or 2.6%, to \$171.1 million from \$175.6 million for the comparable 2019 period. Net written premiums for the year ended December 31, 2020 decreased by \$30.9 million, or 3.9%, to \$763.5 million from \$794.4 million for the comparable 2019 period. Net earned premiums for the quarter ended December 31, 2020 decreased by \$3.1 million, or 1.5%, to \$196.4 million from \$199.5 million for the comparable 2019 period. Net earned premiums for the year ended December 31, 2020 decreased by \$17.7 million, or 2.2%, to \$771.1 million from \$788.8 million for the comparable 2019 period. The decreases in both periods are a result of the decrease in direct written premiums as described above.

The pandemic has resulted in fewer cars on the road, resulting in a decrease in frequency of claims, primarily in our private passenger automobile line of business. As a result, for the quarter ended December 31, 2020, loss and loss adjustment expenses incurred decreased by \$30.6 million, or 24.3%, to \$95.8 million from \$126.4 million for the comparable 2019 period. For the year ended December 31, 2020, loss and loss adjustment expenses incurred decreased by \$105.2 million, or 20.7%, to \$404.6 million from \$509.8 million for the comparable 2019 period. Loss, expense, and combined ratios calculated under U.S. generally accepted accounting principles for the quarter ended December 31, 2020 were 48.8%, 36.3%, and 85.1%, respectively, compared to 63.4%, 31.1%, and 94.5%, respectively, for the comparable 2019 period. Loss, expense, and combined ratios calculated under U.S. generally accepted accounting principles for the year ended December 31, 2020 were 52.5%, 34.6%, and 87.1%, respectively, compared to 64.6%, 31.0%, and 95.6%, respectively, for the comparable 2019 period. Total prior year favorable development included in the pre-tax results for the quarter ended December 31, 2020 was \$20.2 million compared to \$16.5 million for the comparable 2019 period. Total prior year favorable development included in the pre-tax results for the year ended December 31, 2020 was \$54.8 million compared to \$42.1 million for the comparable 2019 period.

The increase in the expense ratios in the respective periods is driven by an increase in contingent commission expense as well as costs associated with various system modernization in our claims, billing and underwriting areas and a reduction in certain expense allowances provided under the Servicing Carrier program that have decreased with the related written premium as noted above.

Net investment income for the quarter ended December 31, 2020 decreased by \$1.7 million, or 13.7%, to \$10.7 million from \$12.4 million for the comparable 2019 period. Net investment income for the year ended December 31, 2020 decreased by \$5.7 million, or 12.0%, to \$41.0 million from \$46.7 million for the comparable 2019 period. The decreases in both periods is a result of lower floating yields on our bank loan portfolio, lower interest income on certain partnership investments and fixed maturity amortization resulting from prepayment activity on certain residential mortgage-backed securities. Net effective annualized yield on the investment portfolio for the quarter ended December 31, 2020 was 3.0% compared to 3.6% for the comparable 2019 period. Net effective annualized yield on the investment portfolio for the year ended December 31, 2020 was 2.9% compared to 3.4% for the comparable 2019 period. Our duration on fixed maturities was 3.2 years at December 31, 2020 compared to 3.3 years at December 31, 2019.

On February 16, 2021, our Board of Directors approved a \$0.90 per share quarterly cash dividend on its issued and outstanding common stock payable on March 15, 2021 to shareholders of record at the close of business on March 5, 2021.

### **Non-GAAP Measures**

Management has included certain non-GAAP financial measures in presenting the Company's results. Management believes that these non-GAAP measures better explain the Company's results of operations and allow for a more complete understanding of the underlying trends in the Company's business. These measures should not be viewed as a substitute for those determined in accordance with generally accepted accounting principles ("GAAP"). In addition, our definitions of these items may not be comparable to the definitions used by other companies.

Non-GAAP operating income and non-GAAP operating income per diluted share consist of our GAAP net income adjusted by the net realized gains on investments, net impairment losses on investments, change in net unrealized gains on equity investments, credit loss benefit (expense) and taxes related thereto. For the quarter ended December 31, 2020, an increase of \$16.1 million for the change in unrealized gains on equity securities was recognized within income before income taxes, compared to an increase of \$6.3 million recognized in the comparable 2019 period. For the year ended December 31, 2020, an increase of \$10.4 million for the change in unrealized gains on equity securities was recognized in income before income taxes, compared to an increase of \$21.5 million recognized in the comparable 2019 period. Net income and earnings per diluted share are the GAAP financial measures that are most directly comparable to non-GAAP operating income and non-GAAP

operating income per diluted share, respectively. A reconciliation of the GAAP financial measures to these non-GAAP measures is included in the financial highlights below.

**About Safety:** Safety Insurance Group, Inc., based in Boston, MA, is the parent of Safety Insurance Company, Safety Indemnity Insurance Company, Safety Property and Casualty Insurance Company, and Safety Northeast Insurance Company. Operating exclusively in Massachusetts, New Hampshire, and Maine, Safety is a leading writer of property and casualty insurance products, including private passenger automobile, commercial automobile, homeowners, dwelling fire, umbrella and business owner policies.

**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](http://www.SafetyInsurance.com). Safety filed its December 31, 2019 Form 10-K with the SEC on February 28, 2020 and urges shareholders to refer to this document for more complete information concerning Safety’s financial results.

**Contacts:**

Safety Insurance Group, Inc.  
Office of Investor Relations  
877-951-2522

[InvestorRelations@SafetyInsurance.com](mailto:InvestorRelations@SafetyInsurance.com)

***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 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;*
- *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 of Insurance 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;*
- *The effects of emerging claim and coverage issues on the Company’s business are uncertain, and court decisions or legislative or regulatory changes that take place after the Company issues its policies, including those taken in response to COVID-19 (such as requiring insurers to cover business interruption claims irrespective of terms or other conditions included in the policies that would otherwise preclude coverage), can result in an unexpected increase in the number of claims and have a material adverse impact on the Company's results of operations;*

- *The impact of COVID-19 and related risks, including on the Company's employees, agents or other key partners, could materially affect the Company's results of operations, financial position and/or liquidity; 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, 2019 filed with the SEC on February 28, 2020.*

*We are not under any obligation (and expressly disclaim any such obligation) to update or alter our forward-looking statements, whether as a result of new information, future events, or otherwise. You should carefully consider the possibility that actual results may differ materially from our forward-looking statements.*

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

	December 31, 2020 (Unaudited)	December 31, 2019
<b>Assets</b>		
Investments:		
Fixed maturities, available for sale, at fair value (amortized cost: \$1,189,951 and \$1,192,357, allowance for expected credit losses of \$1,054 at December 31, 2020)	\$ 1,256,653	\$ 1,228,040
Short term investments, at fair value (cost: \$441 and \$0)	441	—
Equity securities, at fair value (cost: \$168,289 and \$151,121)	205,254	177,637
Other invested assets	45,239	37,278
Total investments	1,507,587	1,442,955
Cash and cash equivalents	53,769	44,407
Accounts receivable, net of allowance for expected credit losses of \$1,754 at December 31, 2020	179,147	193,369
Receivable for securities sold	1,311	1,784
Accrued investment income	8,045	8,404
Taxes recoverable	279	1,003
Receivable from reinsurers related to paid loss and loss adjustment expenses	13,432	11,319
Receivable from reinsurers related to unpaid loss and loss adjustment expenses	106,311	122,372
Ceded unearned premiums	22,406	35,182
Deferred policy acquisition costs	74,962	74,287
Equity and deposits in pools	30,429	29,791
Operating lease right-of-use-assets	31,000	33,998
Other assets	25,595	23,798
<b>Total assets</b>	<b>\$ 2,054,273</b>	<b>\$ 2,022,669</b>
<b>Liabilities</b>		
Loss and loss adjustment expense reserves	\$ 567,581	\$ 610,566
Unearned premium reserves	421,901	442,219
Accounts payable and accrued liabilities	79,486	75,016
Payable for securities purchased	7,144	6,377
Payable to reinsurers	8,236	12,911
Deferred income taxes	17,611	5,717
Debt	30,000	—
Operating lease liabilities	31,000	33,998
Other liabilities	6,635	27,459
<b>Total liabilities</b>	<b>1,169,594</b>	<b>1,214,263</b>
<b>Shareholders' equity</b>		
Common stock: \$0.01 par value; 30,000,000 shares authorized; 17,724,866 and 17,662,779 shares issued	178	177
Additional paid-in capital	209,779	202,321
Accumulated other comprehensive income, net of taxes	53,527	28,190
Retained earnings	745,029	661,553
Treasury stock, at cost: 2,831,168 and 2,279,570 shares	(123,834)	(83,835)
<b>Total shareholders' equity</b>	<b>884,679</b>	<b>808,406</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,054,273</b>	<b>\$ 2,022,669</b>

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

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net earned premiums	\$ 196,438	\$ 199,450	\$ 771,078	\$ 788,777
Net investment income	10,701	12,393	41,045	46,665
Earnings from partnership investments	4,312	506	6,901	1,937
Net realized gains on investments	1,640	1,463	957	2,976
Change in net unrealized gains on equity investments	16,088	6,286	10,449	21,454
Net impairment losses on investments (a)	—	(492)	—	(889)
Credit loss benefit (expense)	1,235	—	(1,054)	—
Finance and other service income	4,620	4,293	16,872	16,833
Total revenue	<u>235,034</u>	<u>223,899</u>	<u>846,248</u>	<u>877,753</u>
Losses and loss adjustment expenses	95,782	126,460	404,556	509,846
Underwriting, operating and related expenses	71,290	61,949	266,482	244,136
Interest expense	132	23	440	90
Total expenses	<u>167,204</u>	<u>188,432</u>	<u>671,478</u>	<u>754,072</u>
Income before income taxes	67,830	35,467	174,770	123,681
Income tax expense	14,865	7,365	36,559	24,080
Net income	<u>\$ 52,965</u>	<u>\$ 28,102</u>	<u>\$ 138,211</u>	<u>\$ 99,601</u>
<b>Earnings per weighted average common share:</b>				
Basic	<u>\$ 3.57</u>	<u>\$ 1.84</u>	<u>\$ 9.25</u>	<u>\$ 6.52</u>
Diluted	<u>\$ 3.55</u>	<u>\$ 1.82</u>	<u>\$ 9.18</u>	<u>\$ 6.46</u>
Cash dividends paid per common share	<u>\$ 0.90</u>	<u>\$ 0.90</u>	<u>\$ 3.60</u>	<u>\$ 3.40</u>
<b>Number of shares used in computing earnings per share:</b>				
Basic	<u>14,755,082</u>	<u>15,220,902</u>	<u>15,002,755</u>	<u>15,201,132</u>
Diluted	<u>14,866,704</u>	<u>15,340,518</u>	<u>15,119,027</u>	<u>15,337,807</u>
(a) No portion of the other-than-temporary impairments recognized in the period indicated were included in Other Comprehensive Income for the period ended December 31, 2019.				
<b>Reconciliation of Net Income to Non-GAAP Operating Income</b>				
Net income	\$ 52,965	\$ 28,102	\$ 138,211	\$ 99,601
Exclusions from net income:				
Net realized gains on investments	(1,640)	(1,463)	(957)	(2,976)
Change in net unrealized gains on equity investments	(16,088)	(6,286)	(10,449)	(21,454)
Net impairment losses on investments	-	492	-	889
Credit loss (benefit) expense	(1,235)	-	1,054	-
Income tax expense on exclusions from net income	3,982	1,524	2,174	4,944
Non-GAAP operating income	<u>\$ 37,984</u>	<u>\$ 22,369</u>	<u>\$ 130,033</u>	<u>\$ 81,004</u>
Net income per diluted share	\$ 3.55	\$ 1.82	\$ 9.18	\$ 6.46
Exclusions from net income:				
Net realized gains on investments	(0.11)	(0.10)	(0.06)	(0.19)
Change in net unrealized gains on equity investments	(1.08)	(0.41)	(0.69)	(1.40)
Net impairment losses on investments	-	0.03	-	0.06
Credit loss (benefit) expense	(0.08)	-	0.07	-
Income tax expense on exclusions from net income	0.27	0.10	0.14	0.32
Non-GAAP operating income per diluted share	<u>\$ 2.55</u>	<u>\$ 1.44</u>	<u>\$ 8.64</u>	<u>\$ 5.25</u>

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

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Written Premiums</b>				
Direct	\$ 182,627	\$ 189,671	\$ 798,712	\$ 852,404
Assumed	5,535	8,498	26,316	32,391
Ceded	(17,077)	(22,579)	(61,491)	(90,386)
Net written premiums	<u>\$ 171,085</u>	<u>\$ 175,590</u>	<u>\$ 763,537</u>	<u>\$ 794,409</u>
<b>Earned Premiums</b>				
Direct	\$ 207,464	\$ 213,841	\$ 815,981	\$ 845,102
Assumed	5,954	8,111	29,365	32,853
Ceded	(16,980)	(22,502)	(74,268)	(89,178)
Net earned premiums	<u>\$ 196,438</u>	<u>\$ 199,450</u>	<u>\$ 771,078</u>	<u>\$ 788,777</u>