



SAFETY ANNOUNCES THIRD QUARTER 2011 RESULTS AND DECLARES FOURTH QUARTER 2011 DIVIDEND

Boston, Massachusetts, November 2, 2011. Safety Insurance Group, Inc. (NASDAQ:SAFT) today reported third quarter 2011 results. Net income for the quarter ended September 30, 2011 was \$8.8 million, or \$0.58 per diluted share, compared to net income of \$15.4 million, or \$1.03 per diluted share, for the comparable 2010 period. Net income for the nine months ended September 30, 2011 was \$8.9 million, or \$0.59 per diluted share, compared to \$43.3 million, or \$2.87 per diluted share, for the comparable 2010 period. Safety's book value per share decreased to \$43.15 at September 30, 2011 from \$43.37 at December 31, 2010. Safety paid \$0.50 per share in dividends to investors during each of the quarters ended September 30, 2011 and 2010. Safety paid \$1.80 per share in dividends to investors during the year ended December 31, 2010.

The quarter ended September 30, 2011 was marked by two severe weather events, the Western Massachusetts wind and hail storm and Tropical Storm Irene, which caused extensive property damage. As a result, we experienced elevated catastrophe claims activity in our personal and commercial property lines for the quarter ended September 30, 2011. For the quarter ended September 30, 2011, loss and loss adjustment expenses incurred increased by \$23.1 million, or 26.1%, to \$111.5 million from \$88.4 million for the comparable 2010 period. For the nine months ended September 30, 2011, loss and loss adjustment expenses incurred increased by \$82.5 million, or 31.1%, to \$347.4 million from \$264.9 million for the comparable 2010 period. Loss, expense, and combined ratios calculated under U.S. generally accepted accounting principles for the quarter ended September 30, 2011 were 73.7%, 30.1%, and 103.8%, respectively, compared to 63.5%, 31.8%, and 95.3%, respectively, for the comparable 2010 period. Loss, expense, and combined ratios calculated under U.S. generally accepted accounting principles for the nine months ended September 30, 2011 were 78.1%, 29.7%, and 107.8%, respectively, compared to 64.8%, 31.4%, and 96.2%, respectively, for the comparable 2010 period. Total prior year favorable development included in the pre-tax results for the quarter and nine months ended September 30, 2011 was \$6.3 million and \$25.1 million, respectively, compared to \$10.3 million and \$32.9 million, respectively, for the comparable 2010 periods.

Direct written premiums for the quarter ended September 30, 2011 increased by \$10.1 million, or 6.5%, to \$167.1 million from \$157.0 million for the comparable 2010 period. Direct written premiums for the nine months ended September 30, 2011 increased by \$32.9 million, or 7.0%, to \$504.4 million from \$471.5 million for the comparable 2010 period. The 2011 increase occurred primarily in our personal automobile and homeowners business lines, which both experienced increases of 3.1% in average written premium per exposure and increases of 1.7% and 12.5%, respectively, in written exposures.

Net written premiums for the quarter ended September 30, 2011 increased by \$8.2 million, or 5.5%, to \$158.2 million from \$150.0 million for the comparable 2010 period. Net written premiums for the nine months ended September 30, 2011 increased by \$32.9 million, or 7.3%, to \$483.5 million from \$450.6 million for the comparable 2010 period. Net earned premiums for the quarter ended September 30, 2011 increased by \$12.1 million, or 8.7%, to \$151.3 million from \$139.2 million for the comparable 2010 period. Net earned premiums for the nine months ended September 30, 2011 increased by \$36.1 million, or 8.8%, to \$444.6 million from \$408.5 million for the comparable 2010 period. Net written and net earned premiums increased primarily due to the factors that increased direct written premiums.

Net investment income for the quarter ended September 30, 2011 was \$10.1 million, consistent with the comparable 2010 period. Net investment income for the nine months ended September 30, 2011 decreased by \$2.1 million, or 6.4%, to \$29.7 million from \$31.8 million for the comparable 2010 period. The 2011 decrease primarily resulted from lower short-term interest rates and ongoing maintenance of short duration to protect the portfolio from rising interest rates. Net effective annualized yield on the investment portfolio decreased to 3.7% for the quarter and nine months ended September 30, 2011 from 3.8% and 4.0%, respectively, for the comparable 2010 periods. Our duration was 3.8 years at September 30, 2011, up from 3.3 years at December 31, 2010.

Today the Board of Directors approved and declared a quarterly cash dividend of \$0.50 per share on the issued and outstanding common stock, payable on December 15, 2011 to shareholders of record at the close of business on December 1, 2011.

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, 2010 Form 10-K with the SEC on March 14, 2011 and urges shareholders to refer to this document for more complete information concerning Safety’s financial results.

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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. 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 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, 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, 2010 filed with the SEC on March 14, 2011.

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)

	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
	(Unaudited)	
Assets		
Investments:		
Securities available for sale:		
Fixed maturities, at fair value (amortized cost: \$1,022,546 and \$1,030,354)	\$ 1,073,216	\$ 1,063,237
Equity securities, at fair value (cost: \$20,215 and \$13,704)	20,079	14,624
Other invested assets, at cost, which approximates fair value	<u>7,783</u>	<u>2,817</u>
Total investments	1,101,078	1,080,678
Cash and cash equivalents	44,266	40,291
Accounts receivable, net of allowance for doubtful accounts	164,203	145,726
Receivable for securities sold	2,511	-
Accrued investment income	8,620	9,471
Taxes recoverable	9,652	5,061
Receivable from reinsurers related to paid loss and loss adjustment expenses	8,432	4,579
Receivable from reinsurers related to unpaid loss and loss adjustment expenses	52,579	53,147
Ceded unearned premiums	12,634	12,461
Deferred policy acquisition costs	59,507	52,824
Deferred income taxes	-	3,643
Equity and deposits in pools	13,949	19,971
Other assets	<u>11,766</u>	<u>11,600</u>
Total assets	<u><u>\$ 1,489,197</u></u>	<u><u>\$ 1,439,452</u></u>
Liabilities		
Loss and loss adjustment expense reserves	\$ 398,337	\$ 404,391
Unearned premium reserves	345,165	306,053
Accounts payable and accrued liabilities	38,972	54,239
Payable for securities purchased	14,668	-
Payable to reinsurers	10,964	5,571
Deferred income taxes	2,381	-
Other liabilities	<u>23,426</u>	<u>15,722</u>
Total liabilities	<u><u>833,913</u></u>	<u><u>785,976</u></u>
Shareholders' equity		
Common stock: \$0.01 par value; 30,000,000 shares authorized; 16,915,232 and 16,795,504 shares issued	169	168
Additional paid-in capital	156,079	151,317
Accumulated other comprehensive income, net of taxes	32,847	21,972
Retained earnings	521,758	535,545
Treasury stock, at cost: 1,728,645 and 1,727,455 shares	<u>(55,569)</u>	<u>(55,526)</u>
Total shareholders' equity	<u><u>655,284</u></u>	<u><u>653,476</u></u>
Total liabilities and shareholders' equity	<u><u>\$ 1,489,197</u></u>	<u><u>\$ 1,439,452</u></u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net earned premiums	\$ 151,254	\$ 139,190	\$ 444,620	\$ 408,490
Net investment income	10,081	10,108	29,716	31,757
Net realized gains on investments	1,844	363	2,702	295
Finance and other service income	4,856	4,770	13,731	13,642
Total revenue	<u>168,035</u>	<u>154,431</u>	<u>490,769</u>	<u>454,184</u>
Losses and loss adjustment expenses	111,545	88,455	347,359	264,905
Underwriting, operating and related expenses	45,453	44,229	132,153	128,354
Interest expense	23	22	66	66
Total expenses	<u>157,021</u>	<u>132,706</u>	<u>479,578</u>	<u>393,325</u>
Income before income taxes	11,014	21,725	11,191	60,859
Income tax expense	2,204	6,258	2,249	17,529
Net income	<u>\$ 8,810</u>	<u>\$ 15,467</u>	<u>\$ 8,942</u>	<u>\$ 43,330</u>
Earnings per weighted average common share:				
Basic	\$ 0.58	\$ 1.03	\$ 0.59	\$ 2.87
Diluted	<u>\$ 0.58</u>	<u>\$ 1.03</u>	<u>\$ 0.59</u>	<u>\$ 2.87</u>
Cash dividends paid per common share	<u>\$ 0.50</u>	<u>\$ 0.50</u>	<u>\$ 1.50</u>	<u>\$ 1.30</u>
Number of shares used in computing earnings per share:				
Basic	15,187,430	15,018,988	15,157,762	15,072,238
Diluted	<u>15,195,819</u>	<u>15,036,656</u>	<u>15,169,738</u>	<u>15,089,317</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Written Premiums				
Direct	\$ 167,168	\$ 157,038	\$ 504,382	\$ 471,527
Assumed	3,115	2,617	11,812	9,557
Ceded	(12,068)	(9,651)	(32,635)	(30,461)
Net written premiums	<u>\$ 158,215</u>	<u>\$ 150,004</u>	<u>\$ 483,559</u>	<u>\$ 450,623</u>
Earned Premiums				
Direct	\$ 158,631	\$ 147,440	\$ 465,583	\$ 430,506
Assumed	3,609	2,463	11,499	10,251
Ceded	(10,986)	(10,713)	(32,462)	(32,267)
Net earned premiums	<u>\$ 151,254</u>	<u>\$ 139,190</u>	<u>\$ 444,620</u>	<u>\$ 408,490</u>