



SAFETY ANNOUNCES THIRD QUARTER 2015 RESULTS AND DECLARES FOURTH QUARTER 2015 DIVIDEND

Boston, Massachusetts, November 3, 2015. Safety Insurance Group, Inc. (NASDAQ:SAFT) today reported third quarter 2015 results. Net income for the quarter ended September 30, 2015 was \$12.0 million, or \$0.80 per diluted share, compared to net income of \$15.4 million, or \$1.03 per diluted share, for the comparable 2014 period. Net loss for the nine months ended September 30, 2015 was \$24.1 million, or \$1.62 per diluted share, compared to net income of \$49.0 million, or \$3.21 per diluted share, for the comparable 2014 period. Safety's book value per share decreased to \$42.70 at September 30, 2015 from \$47.19 at December 31, 2014. Safety paid \$0.70 per share in dividends to investors during the quarters ended September 30, 2015 and September 30, 2014. Safety paid \$2.60 per share in dividends to investors during the year ended December 31, 2014.

Direct written premiums for the quarter ended September 30, 2015 increased by \$7.0 million, or 3.5%, to \$204.4 million from \$197.4 million for the comparable 2014 period. Direct written premiums for the nine months ended September 30, 2015 increased by \$15.0 million, or 2.5%, to \$612.4 million from \$597.3 million for the comparable 2014 period. The 2015 increase occurred primarily in our commercial automobile and homeowners lines of business, which experienced increases in average written premium per exposure of 5.6% and 2.4%, respectively. Written exposures increased in our commercial automobile and our homeowners lines of business by 5.5% and 3.2%, respectively.

Net written premiums for the quarter ended September 30, 2015 increased by \$5.4 million, or 2.9%, to \$194.2 million from \$188.8 million for the comparable 2014 period. Net written premiums for the nine months ended September 30, 2015 increased by \$8.5 million, or 1.5%, to \$583.7 million from \$575.2 million for the comparable 2014 period. Net earned premiums for the quarter ended September 30, 2015 increased by \$6.3 million, or 3.5%, to \$186.6 million from \$180.3 million for the comparable 2014 period. Net earned premiums for the nine months ended September 30, 2015 increased by \$17.2 million, or 3.2%, to \$551.6 million from \$534.4 million for the comparable 2014 period. Net earned premiums increased primarily due to increases in our commercial automobile and homeowners business lines as discussed above.

Net investment income for the quarter ended September 30, 2015 decreased by \$0.8 million to \$10.0 million compared to \$10.8 million for the 2014 period. The decrease in net investment income is a result of a reduction in the fixed maturities balance due to claims paid during 2015. Net investment income for the nine months ended September 30, 2015 was \$30.8 million compared to net investment income of \$31.3 million for the comparable 2014 period. Net effective annualized yield on the investment portfolio for the quarters ended September 30, 2015 and 2014 was 3.3% and 3.6%, respectively. Net effective annualized yield on the investment portfolio for the nine month periods ended September 30, 2015 and 2014 was 3.4%. The investment portfolio's duration was 4.2 years at September 30, 2015 and 3.8 years at December 31, 2014.

For the quarter ended September 30, 2015, loss and loss adjustment expenses incurred increased by \$9.2 million, or 7.7%, to \$128.9 million from \$119.7 million for the comparable 2014 period due to \$12.5 million of hail storm claims experienced in 2015. For the nine months ended September 30, 2015, loss and loss adjustment expenses incurred increased by \$135.1 million, or 38.7%, to \$484.3 million from \$349.2 million for the comparable 2014 period due to winter snowfall catastrophe losses previously reported in 2015.

Loss, expense, and combined ratios calculated under U.S. generally accepted accounting principles for the quarter ended September 30, 2015 were 69.1%, 28.7%, and 97.8%, respectively, compared to 66.4%, 30.2%, and 96.6%, respectively, for the comparable 2014 period. Loss, expense, and combined ratios calculated under U.S. generally accepted accounting principles for the nine months ended months ended September 30, 2015 were 87.8%, 28.6%, and 116.4%, respectively, compared to 65.3%, 30.4%, and 95.7%, respectively, for the comparable 2014 period. Total prior year favorable development included in the pre-tax results for the quarter and nine months ended September 30, 2015 was \$7.8 million and \$19.8 million, respectively, compared to \$9.4 million and \$29.3 million, respectively, for the comparable 2014 periods.

Today, our Board of Directors approved and declared a quarterly cash dividend of \$0.70 per share on the issued and outstanding common stock, payable on December 15, 2015 to shareholders of record at the close of business on December 1, 2015.

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, 2014 Form 10-K with the SEC on March 2, 2015 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

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, 2014 filed with the SEC on March 2, 2015.

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)

| | 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 | 7,653 |
| Deferred income taxes | — | 1,614 |
| Taxes payable | — | 265 |
| Other liabilities | 23,226 | 15,077 |
| Total liabilities | 1,075,213 | 967,436 |
| Shareholders' equity | | |
| Common stock: \$0.01 par value; 30,000,000 shares authorized; 17,371,903 and 17,288,728 shares issued | 174 | 173 |
| Additional paid-in capital | 178,716 | 175,583 |
| Accumulated other comprehensive income, net of taxes | 17,425 | 28,715 |
| Retained earnings | 531,962 | 587,647 |
| Treasury stock, at cost: 2,279,570 shares | (83,835) | (83,835) |
| Total shareholders' equity | 644,442 | 708,283 |
| Total liabilities and shareholders' equity | \$ 1,719,655 | \$ 1,675,719 |

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

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|--|---|-------------------|--|-------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Net earned premiums | \$ 186,582 | \$ 180,277 | \$ 551,593 | \$ 534,397 |
| Net investment income | 9,950 | 10,809 | 30,824 | 31,291 |
| Earnings from partnership investments | 859 | — | 1,436 | — |
| Net realized (losses) gains on investments | (310) | 284 | (72) | 683 |
| Net impairment losses on investments (a) | (434) | — | (434) | — |
| Finance and other service income | 4,623 | 4,749 | 13,564 | 13,781 |
| Total revenue | <u>201,270</u> | <u>196,119</u> | <u>596,911</u> | <u>580,152</u> |
| Losses and loss adjustment expenses | 128,931 | 119,742 | 484,281 | 349,180 |
| Underwriting, operating and related expenses | 53,624 | 54,378 | 157,919 | 162,203 |
| Interest expense | 22 | 22 | 67 | 67 |
| Total expenses | <u>182,577</u> | <u>174,142</u> | <u>642,267</u> | <u>511,450</u> |
| (Loss) income before income taxes | 18,693 | 21,977 | (45,356) | 68,702 |
| Income tax (credit) expense | 6,712 | 6,541 | (21,213) | 19,718 |
| Net (loss) income | <u>\$ 11,981</u> | <u>\$ 15,436</u> | <u>\$ (24,143)</u> | <u>\$ 48,984</u> |
| (Loss) earnings per weighted average common share: | | | | |
| Basic | <u>\$ 0.80</u> | <u>\$ 1.03</u> | <u>\$ (1.62)</u> | <u>\$ 3.23</u> |
| Diluted | <u>\$ 0.80</u> | <u>\$ 1.03</u> | <u>\$ (1.62)</u> | <u>\$ 3.21</u> |
| Cash dividends paid per common share | | | | |
| | <u>\$ 0.70</u> | <u>\$ 0.70</u> | <u>\$ 2.10</u> | <u>\$ 1.90</u> |
| Number of shares used in computing (loss) earnings per share: | | | | |
| Basic | <u>14,880,796</u> | <u>14,804,818</u> | <u>14,861,533</u> | <u>15,026,368</u> |
| Diluted | <u>14,907,672</u> | <u>14,910,177</u> | <u>14,861,533</u> | <u>15,091,844</u> |

(a) No portion of the other-than-temporary impairments recognized in the periods were included in other comprehensive income.

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

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|-------------------------|---|-------------------|--|-------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Written Premiums | | | | |
| Direct | \$ 204,381 | \$ 197,415 | \$ 612,360 | \$ 597,326 |
| Assumed | 7,205 | 4,861 | 21,137 | 19,199 |
| Ceded | (17,386) | (13,525) | (49,830) | (41,349) |
| Net written premiums | <u>\$ 194,200</u> | <u>\$ 188,751</u> | <u>\$ 583,667</u> | <u>\$ 575,176</u> |
| Earned Premiums | | | | |
| Direct | \$ 196,533 | \$ 188,348 | \$ 579,818 | \$ 557,359 |
| Assumed | 6,430 | 5,662 | 19,030 | 17,845 |
| Ceded | (16,381) | (13,733) | (47,255) | (40,807) |
| Net earned premiums | <u>\$ 186,582</u> | <u>\$ 180,277</u> | <u>\$ 551,593</u> | <u>\$ 534,397</u> |