



SAFETY ANNOUNCES FOURTH QUARTER AND YEAR END 2015 RESULTS

Boston, Massachusetts, February 23, 2016. Safety Insurance Group, Inc. (NASDAQ:SAFT) today reported fourth quarter 2015 results. Net income for the quarter ended December 31, 2015 was \$10.3 million, or \$0.69 per diluted share, compared to net income of \$10.4 million, or \$0.69 per diluted share, for the comparable 2014 period. Net loss for the twelve months ended December 31, 2015 was \$13.9 million, or \$0.93 per diluted share, compared to net income of \$59.4 million, or \$3.91 per diluted share, for the comparable 2014 period. Safety's book value per share decreased to \$42.70 at December 31, 2015 from \$47.19 at December 31, 2014. Safety paid \$0.70 per share in dividends to investors during the quarters ended December 31, 2015 and December 31, 2014, respectively. Safety paid \$2.80 per share in dividends to investors during the year ended December 31, 2015 compared to \$2.60 per share during the comparable 2014 period.

Direct written premiums for the quarter ended December 31, 2015 increased by \$5.0 million, or 3.0%, to \$173.4 million from \$168.4 million for the comparable 2014 period. Direct written premiums for the year ended December 31, 2015 increased by \$20.0 million, or 2.6%, to \$785.7 million from \$765.7 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 6.1% and 3.2%, respectively. Written exposures increased in our commercial automobile and our homeowners lines of business by 5.8% and 2.4%, respectively.

Net written premiums for the quarter ended December 31, 2015 increased by \$2.7 million, or 1.7%, to \$162.5 million from \$159.8 million for the comparable 2014 period. Net written premiums for the year ended December 31, 2015 increased by \$11.3 million, or 1.5%, to \$746.2 million from \$734.9 million for the comparable 2014 period. Net earned premiums for the quarter ended December 31, 2015 increased by \$4.1 million, or 2.2%, to \$186.6 million from \$182.5 million for the comparable 2014 period. Net earned premiums for the year ended December 31, 2015 increased by \$21.3 million, or 3.0%, to \$738.2 million from \$716.9 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 December 31, 2015 decreased by \$1.3 million to \$9.7 million compared to \$11.0 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 year ended December 31, 2015 decreased by \$1.8 million, or 4.2%, to \$40.5 million from \$42.3 million for the comparable 2014 period. Net effective annualized yield on the investment portfolio for the quarter and twelve months ended December 31, 2015 was 3.2% and 3.3%, respectively, compared to 3.6% and 3.5% for the comparable 2014 period. The investment portfolio's duration was 4.1 years at December 31, 2015 and 3.8 years at December 31, 2014.

For the quarter ended December 31, 2015, loss and loss adjustment expenses incurred increased by \$1.1 million, or 0.9%, to \$128.3 million from \$127.2 million for the comparable 2014. For the year ended December 31, 2015, loss and loss adjustment expenses incurred increased by \$136.2 million, or 28.6%, to \$612.6 million from \$476.4 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 December 31, 2015 were 68.8%, 30.0%, and 98.8%, respectively, compared to 69.7%, 31.1%, and 100.8%, respectively, for the comparable 2014 period. Loss, expense, and combined ratios calculated under U.S. generally accepted accounting principles for the year ended December 31, 2015 were 83.0%, 29.0%, and 112.0%, respectively, compared to 66.5%, 30.6%, and 97.1%, respectively, for the comparable 2014 period. Total prior year favorable development included in the pre-tax results for the quarter and twelve months ended December 31, 2015 was \$10.5 million and \$30.3 million, respectively, compared to \$8.0 million and \$37.4 million, respectively, for the comparable 2014 periods.

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.

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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, 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)

	December 31, 2015 (Unaudited)	December 31, 2014
Assets		
Investments:		
Securities available for sale:		
Fixed maturities, at fair value (amortized cost: \$1,063,971 and \$1,102,517)	\$ 1,081,637	\$ 1,135,451
Equity securities, at fair value (cost: \$102,541 and \$97,910)	110,204	109,153
Other invested assets	17,602	11,657
Total investments	1,209,443	1,256,261
Cash and cash equivalents	47,494	42,455
Accounts receivable, net of allowance for doubtful accounts	178,567	175,532
Receivable for securities sold	260	—
Accrued investment income	8,922	10,295
Taxes recoverable	15,497	—
Receivable from reinsurers related to paid loss and loss adjustment expenses	40,972	6,267
Receivable from reinsurers related to unpaid loss and loss adjustment expenses	68,261	61,245
Ceded unearned premiums	23,222	19,638
Deferred policy acquisition costs	68,937	67,329
Deferred income taxes	4,430	—
Equity and deposits in pools	23,558	23,159
Other assets	14,306	13,538
Total assets	\$ 1,703,869	\$ 1,675,719
Liabilities		
Loss and loss adjustment expense reserves	\$ 553,977	\$ 482,012
Unearned premium reserves	401,961	390,361
Accounts payable and accrued liabilities	53,722	65,863
Payable for securities purchased	8,607	4,591
Payable to reinsurers	11,547	7,653
Deferred income taxes	—	1,614
Taxes payable	—	265
Other liabilities	29,556	15,077
Total liabilities	1,059,370	967,436
Shareholders' equity		
Common stock: \$0.01 par value; 30,000,000 shares authorized; 17,373,643 and 17,288,728 shares issued	174	173
Additional paid-in capital	179,896	175,583
Accumulated other comprehensive income, net of taxes	16,464	28,715
Retained earnings	531,800	587,647
Treasury stock, at cost: 2,279,570 shares	(83,835)	(83,835)
Total shareholders' equity	644,499	708,283
Total liabilities and shareholders' equity	\$ 1,703,869	\$ 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 December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net earned premiums	\$ 186,571	\$ 182,478	\$ 738,164	\$ 716,875
Net investment income	9,710	11,012	40,534	42,303
Earnings from partnership investments	951	878	2,387	878
Net realized (losses) gains on investments	(397)	(486)	(469)	197
Net impairment losses on investments (a)	(362)	—	(796)	—
Finance and other service income	4,569	4,763	18,133	18,544
Total revenue	201,042	198,645	797,953	778,797
Losses and loss adjustment expenses	128,288	127,186	612,569	476,366
Underwriting, operating and related expenses	56,020	56,820	213,939	219,023
Interest expense	23	23	90	90
Total expenses	184,331	184,029	826,598	695,479
(Loss) income before income taxes	16,711	14,616	(28,645)	83,318
Income tax (credit) expense	6,421	4,246	(14,792)	23,964
Net (loss) income	\$ 10,290	\$ 10,370	\$ (13,853)	\$ 59,354
(Loss) earnings per weighted average common share:				
Basic	\$ 0.69	\$ 0.69	\$ (0.93)	\$ 3.93
Diluted	\$ 0.69	\$ 0.69	\$ (0.93)	\$ 3.91
Cash dividends paid per common share	\$ 0.70	\$ 0.70	\$ 2.80	\$ 2.60
Number of shares used in computing (loss) earnings per share:				
Basic	14,881,666	14,807,823	14,866,607	14,963,047
Diluted	14,902,596	14,917,810	14,866,607	15,052,745

(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 December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Written Premiums				
Direct	\$ 173,370	\$ 168,359	\$ 785,730	\$ 765,685
Assumed	7,185	6,403	28,322	25,602
Ceded	(18,042)	(15,024)	(67,872)	(56,373)
Net written premiums	\$ 162,513	\$ 159,738	\$ 746,180	\$ 734,914
Earned Premiums				
Direct	\$ 196,815	\$ 190,427	\$ 776,633	\$ 747,786
Assumed	6,789	5,879	25,819	23,724
Ceded	(17,033)	(13,828)	(64,288)	(54,635)
Net earned premiums	\$ 186,571	\$ 182,478	\$ 738,164	\$ 716,875