



SAFETY ANNOUNCES FIRST QUARTER 2018 RESULTS AND DECLARES SECOND QUARTER 2018 DIVIDEND

Boston, Massachusetts, May 2, 2018. Safety Insurance Group, Inc. (NASDAQ:SAFT) today reported first quarter 2018 results. Net income for the quarter ended March 31, 2018 was \$9.1 million, or \$0.60 per diluted share, compared to net income of \$12.0 million, or \$0.79 per diluted share, for the comparable 2017 period. Non-generally accepted accounting principles (“non-GAAP”) operating income, as defined below, for the quarter ended March 31, 2018 was \$0.71 per diluted share, compared to \$0.72 per diluted share, for the comparable 2017 period. Safety’s book value per share decreased to \$44.85 at March 31, 2018 from \$46.06 at December 31, 2017 primarily due to a decrease in net unrealized investment gains. Safety paid \$0.80 per share in dividends to investors during the quarter ended March 31, 2018 compared to \$0.70 per share during the quarter ended March 31, 2017. Safety paid \$3.00 per share in dividends to investors during the year ended December 31, 2017.

Direct written premiums for the quarter ended March 31, 2018 increased by \$4.0 million, or 2.0%, to \$203.7 million from \$199.7 million for the comparable 2017 period. The 2018 increase occurred primarily in our commercial automobile and homeowners lines of business.

Net written premiums for the quarter ended March 31, 2018 decreased by \$0.9 million, or 0.4%, to \$190.0 million from \$190.9 million for the comparable 2017 period. Net earned premiums for the quarter ended March 31, 2018 increased by \$2.3 million, or 1.2%, to \$192.0 million from \$189.7 million for the comparable 2017 period.

For the quarter ended March 31, 2018, loss and loss adjustment expenses incurred increased by \$9.2 million, or 7.2%, to \$137.6 million from \$128.4 million for the comparable 2017 period. Loss, expense, and combined ratios for the quarter ended March 31, 2018 were 71.7%, 31.7%, and 103.4%, respectively, compared to 67.7%, 31.5%, and 99.2%, respectively, for the comparable 2017 period. Total prior year favorable development included in the pre-tax results for the quarter ended March 31, 2018 was \$14.2 million compared to \$10.4 million for the comparable 2017 period.

Net investment income for the quarter ended March 31, 2018 increased by \$1.4 million, or 15.8%, to \$10.5 million from \$9.1 million for the comparable 2017 period. The increase was a result of fixed maturity amortization and a larger invested asset base. Net effective annualized yield on the investment portfolio for the quarter ended March 31, 2018 was 3.3% compared to 2.9% for the comparable 2017 period. Our duration was 3.8 years at March 31, 2018 and 3.7 years at December 31, 2017, respectively.

Today, our Board of Directors approved and declared a quarterly cash dividend of \$0.80 per share on the issued and outstanding common stock, payable on June 15, 2018 to shareholders of record at the close of business on June 1, 2018.

Recently Adopted Accounting Standard

As disclosed in Safety’s Annual Report on Form 10-K for the year ended December 31, 2017, accounting guidance for financial instruments changed in 2018 under ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. We adopted

this accounting standard update, effective January 1, 2018, using a cumulative-effect adjustment. This adjustment moved the historical unrealized gains and losses, net of tax, on the equity portfolio from accumulated other comprehensive earnings to retained earnings, but had no impact on overall shareholders' equity. In addition, for 2018 and forward, the change in fair value for equity securities is required to be recognized through net income rather than through other comprehensive income. As defined below, we exclude these unrealized gains and losses in arriving at operating income and operating income per diluted share. For the first quarter of 2018, \$3.5 million of unrealized losses were recognized within income before income taxes and the income tax expense was reduced by \$0.7 million.

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 operating income per diluted share consist of our GAAP net income adjusted by the net realized gains (losses), net impairment losses on investments, change in net unrealized gains (losses) on equity securities and taxes related thereto. The adjustment for net unrealized losses on equity securities is only applicable for 2018 due to the adoption of the above mentioned accounting standard update. Net income and earnings per diluted share are the GAAP financial measures that are most directly comparable to operating income and operating income per diluted share, respectively. A reconciliation of the GAAP financial measures to these non-GAAP measures is included in the 2018 financial highlights below.

About Safety: Safety Insurance Group, Inc., based in Boston, MA, is the parent of Safety Insurance Company, Safety Indemnity Insurance Company, and Safety Property and Casualty 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. Safety filed its December 31, 2017 Form 10-K with the SEC on February 28, 2018 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, 2017 filed with the SEC on February 28, 2018.

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)

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|---|----------------------------------|----------------------|
| Assets | | |
| Investments: | | |
| Fixed maturities, available for sale, at fair value (amortized cost: \$1,157,244 and \$1,156,697) | \$ 1,155,123 | \$ 1,172,026 |
| Equity securities, at fair value (cost: \$98,696 and \$90,481) | 116,601 | 111,867 |
| Other invested assets | 24,883 | 23,162 |
| Total investments | 1,296,607 | 1,307,055 |
| Cash and cash equivalents | 24,830 | 41,708 |
| Accounts receivable, net of allowance for doubtful accounts | 193,213 | 190,649 |
| Receivable for securities sold | 1,048 | 1,380 |
| Accrued investment income | 10,032 | 8,876 |
| Taxes recoverable | 2,568 | 908 |
| Receivable from reinsurers related to paid loss and loss adjustment expenses | 27,348 | 24,776 |
| Receivable from reinsurers related to unpaid loss and loss adjustment expenses | 87,067 | 83,085 |
| Ceded unearned premiums | 33,170 | 32,175 |
| Deferred policy acquisition costs | 71,217 | 72,202 |
| Deferred income taxes | 714 | — |
| Equity and deposits in pools | 28,660 | 28,246 |
| Other assets | 20,863 | 16,219 |
| Total assets | \$ 1,797,337 | \$ 1,807,279 |
| Liabilities | | |
| Loss and loss adjustment expense reserves | \$ 579,774 | \$ 574,054 |
| Unearned premium reserves | 427,231 | 428,257 |
| Accounts payable and accrued liabilities | 51,275 | 60,701 |
| Payable for securities purchased | 9,764 | 4,188 |
| Payable to reinsurers | 19,456 | 13,801 |
| Deferred income taxes | — | 2,917 |
| Other liabilities | 24,192 | 22,345 |
| Total liabilities | 1,111,692 | 1,106,263 |
| Shareholders' equity | | |
| Common stock: \$0.01 par value; 30,000,000 shares authorized; 17,566,461 and 17,499,544 shares issued | 176 | 175 |
| Additional paid-in capital | 191,328 | 189,714 |
| Accumulated other comprehensive (loss) income, net of taxes | (1,675) | 24,269 |
| Retained earnings | 579,651 | 570,693 |
| Treasury stock, at cost: 2,279,570 shares | (83,835) | (83,835) |
| Total shareholders' equity | 685,645 | 701,016 |
| Total liabilities and shareholders' equity | \$ 1,797,337 | \$ 1,807,279 |

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

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------------|
| | 2018 | 2017 |
| Net earned premiums | \$ 192,033 | \$ 189,711 |
| Net investment income | 10,531 | 9,095 |
| Earnings from partnership investments | 4,864 | 113 |
| Net realized gains on investments | 1,306 | 1,542 |
| Change in net unrealized gains on equity investments | (3,482) | — |
| Finance and other service income | 4,467 | 4,309 |
| Total revenue | <u>209,719</u> | <u>204,770</u> |
| Losses and loss adjustment expenses | 137,644 | 128,430 |
| Underwriting, operating and related expenses | 60,856 | 59,670 |
| Interest expense | 22 | 22 |
| Total expenses | <u>198,522</u> | <u>188,122</u> |
| Income before income taxes | 11,197 | 16,648 |
| Income tax expense | 2,072 | 4,629 |
| Net income | <u>\$ 9,125</u> | <u>\$ 12,019</u> |
| Earnings per weighted average common share: | | |
| Basic | <u>\$ 0.60</u> | <u>\$ 0.80</u> |
| Diluted | <u>\$ 0.60</u> | <u>\$ 0.79</u> |
| Cash dividends paid per common share | <u>\$ 0.80</u> | <u>\$ 0.70</u> |
| Number of shares used in computing earnings per share: | | |
| Basic | <u>15,045,962</u> | <u>14,980,005</u> |
| Diluted | <u>15,191,139</u> | <u>15,096,728</u> |
| Reconciliation of Net Income to Non-GAAP Operating Income | | |
| Net income | \$ 9,125 | \$ 12,019 |
| Exclusions from net income: | | |
| Net realized gains on investments | (1,306) | (1,542) |
| Change in net unrealized gains on equity investments | 3,482 | - |
| Income tax (expense) benefit | (457) | 324 |
| Non-GAAP operating income | <u>\$ 10,844</u> | <u>\$ 10,801</u> |
| Net income per diluted share | \$ 0.60 | \$ 0.79 |
| Exclusions from net income: | | |
| Net realized gains on investments | (0.09) | (0.10) |
| Change in net unrealized gains on equity investments | 0.23 | - |
| Income tax (expense) benefit | (0.03) | 0.03 |
| Non-GAAP operating income per diluted share | <u>\$ 0.71</u> | <u>\$ 0.72</u> |

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

| | Three Months Ended March 31, | |
|-------------------------|------------------------------|-------------------|
| | 2018 | 2017 |
| Written Premiums | | |
| Direct | \$ 203,733 | \$ 199,666 |
| Assumed | 7,948 | 8,592 |
| Ceded | (21,668) | (17,388) |
| Net written premiums | <u>\$ 190,013</u> | <u>\$ 190,870</u> |
| Earned Premiums | | |
| Direct | \$ 203,819 | \$ 199,254 |
| Assumed | 8,887 | 8,726 |
| Ceded | (20,673) | (18,269) |
| Net earned premiums | <u>\$ 192,033</u> | <u>\$ 189,711</u> |