

AMERISAFE INC  
Form 10-Q  
August 04, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011**

**Commission file number:**

**001-12251**

**AMERISAFE, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

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Texas  
(State of Incorporation)

75-2069407  
(I.R.S. Employer

Identification Number)

2301 Highway 190 West, DeRidder, Louisiana  
(Address of Principal Executive Offices)

70634  
(Zip Code)

Registrant's telephone number, including area code: (337) 463-9052

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 31, 2011, there were 18,420,242 shares of the Registrant's common stock, par value \$.01 per share, outstanding.

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**FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the current views of our senior management with respect to our financial performance and future events with respect to our business and the insurance industry in general. Statements that include the words expect, intend, plan, believe, project, forecast, estimate, may, anticipate and similar statements of a future or forward-looking nature identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

increased competition on the basis of types of insurance offered, premium rates, coverage availability, payment terms, claims management, safety services, policy terms, overall financial strength, financial ratings and reputation;

the cyclical nature of the workers' compensation insurance industry;

greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;

adverse developments in economic, competitive or regulatory conditions within the workers' compensation insurance industry;

decreased level of business activity of our policyholders caused by decreased economic activity generally, and in particular in the industries we target;

general economic conditions, including recession, inflation, performance of financial markets, interest rates, unemployment rates and fluctuating asset values;

decreased demand for our insurance;

changes in regulations, laws, rates or rating factors applicable to us, our policyholders or the agencies that sell our insurance;

developments in capital markets that adversely affect the performance of our investments;

changes in rating agency policies or practices;

changes in the availability, cost or quality of reinsurance and the failure of our reinsurers to pay claims in a timely manner or at all;

loss of the services of any of our senior management or other key employees;

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changes in legal theories of liability under our insurance policies;

the effects of U.S. involvement in hostilities with other countries and large-scale acts of terrorism, or the threat of hostilities or terrorist acts; and

other risks and uncertainties described from time to time in our filings with the Securities and Exchange Commission ( SEC ). The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report, including under Item 1A, Risk Factors of Part I to our Annual Report on Form 10-K for the year ended December 31, 2010. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate.

**Table of Contents****PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.****AMERISAFE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	June 30, 2011 (unaudited)	December 31, 2010
<b>Assets</b>		
Investments:		
Fixed maturity securities held-to-maturity, at amortized cost (fair value \$676,050 and \$683,463 in 2011 and 2010, respectively)	\$ 648,333	\$ 663,345
Fixed maturity securities available-for-sale, at fair value (cost \$53,167 and \$21,865 in 2011 and 2010, respectively)	53,884	21,649
Equity securities available-for-sale, at fair value (cost \$1,090 and \$1,687 in 2011 and 2010, respectively)	1,090	1,773
Short-term investments	63,508	78,770
Total investments	766,815	765,537
Cash and cash equivalents	62,044	60,966
Amounts recoverable from reinsurers	94,187	95,133
Premiums receivable, net	140,460	122,618
Deferred income taxes	30,657	31,512
Accrued interest receivable	8,377	7,704
Property and equipment, net	7,334	7,547
Deferred policy acquisition costs	19,885	17,400
Deferred charges	3,324	2,936
Federal income tax recoverable	3,808	2,293
Other assets	15,657	14,488
	\$ 1,152,548	\$ 1,128,134
<b>Liabilities and shareholders equity</b>		
Liabilities:		
Reserves for loss and loss adjustment expenses	\$ 527,047	\$ 532,204
Unearned premiums	128,449	111,494
Reinsurance premiums payable	847	7
Amounts held for others	26,053	22,667
Policyholder deposits	37,755	39,187
Insurance-related assessments	36,574	33,898
Securities payable		6,718
Accounts payable and other liabilities	22,520	20,646
Subordinated debt securities	36,090	36,090
	815,335	802,911
Shareholders equity:		
Common stock:		
	193	191

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Voting \$0.01 par value authorized shares 50,000,000 in 2011 and 2010; 19,287,912 and 19,060,649 shares issued and 18,420,242 and 18,352,041 shares outstanding in 2011 and 2010, respectively		
Additional paid-in capital	183,836	180,884
Treasury stock at cost (867,670 and 708,608 shares in 2011 and 2010, respectively)	(14,961)	(12,102)
Accumulated earnings	167,181	155,985
Accumulated other comprehensive income, net	964	265
	337,213	325,223
	\$ 1,152,548	\$ 1,128,134

See accompanying notes.

**Table of Contents****AMERISAFE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<b>Revenues</b>				
Gross premiums written	\$ 72,916	\$ 62,993	\$ 144,275	\$ 124,084
Ceded premiums written	(3,388)	(4,603)	(6,970)	(9,242)
Net premiums written	\$ 69,528	\$ 58,390	\$ 137,305	\$ 114,842
Net premiums earned	\$ 60,261	\$ 52,982	\$ 120,350	\$ 108,040
Net investment income	6,597	6,675	13,143	13,215
Net realized gains on investments	145	293	248	2,845
Fee and other income	48	145	269	377
<b>Total revenues</b>	<b>67,051</b>	<b>60,095</b>	<b>134,010</b>	<b>124,477</b>
<b>Expenses</b>				
Loss and loss adjustment expenses incurred	46,576	33,711	90,752	71,338
Underwriting and certain other operating costs	5,600	3,403	10,771	6,686
Commissions	4,497	3,993	8,783	7,992
Salaries and benefits	4,841	4,951	9,947	10,166
Interest expense	380	385	759	760
Policyholder dividends	364	210	719	474
<b>Total expenses</b>	<b>62,258</b>	<b>46,653</b>	<b>121,731</b>	<b>97,416</b>
Income before income taxes	4,793	13,442	12,279	27,061
Income tax expense	224	3,018	1,083	5,360
Net income	4,569	10,424	11,196	21,701
Net income available to common shareholders	\$ 4,569	\$ 10,424	\$ 11,196	\$ 21,701
<b>Earnings per share</b>				
Basic	\$ 0.25	\$ 0.56	\$ 0.61	\$ 1.15
Diluted	\$ 0.24	\$ 0.54	\$ 0.60	\$ 1.13
<b>Shares used in computing earnings per share</b>				
Basic	18,392,207	18,720,748	18,312,843	18,804,093
Diluted	18,846,466	19,160,004	18,774,376	19,238,093

See accompanying notes.





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**AMERISAFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2011	2010
<b>Operating Activities</b>		
Net income	\$ 11,196	\$ 21,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	529	516
Net amortization of investments		