



AMERISAFE

**20th Annual Burkenroad Reports
Investment Conference
April 22, 2016**



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Forward Looking Statements

Statements made in this presentation that are not historical facts, including statements accompanied by words such as “will,” “believe,” “anticipate,” “expect,” “estimate,” “preliminary,” or similar words are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding AMERISAFE’s plans and performance. These statements are based on management’s estimates, assumptions, and projections as of the date of this presentation and are not guarantees of future performance. Actual results may differ materially from the results expressed or implied in these statements as the result of risks, uncertainties, and other factors, including the factors set forth in the Company’s filings with the Securities and Exchange Commission, including in Item 1A “Risk Factors” in AMERISAFE’s Annual Report on Form 10-K for the year ended December 31, 2015. AMERISAFE cautions you not to place undue reliance on the forward-looking statements contained in this presentation. AMERISAFE does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information, or circumstances that arise after the date of this presentation.



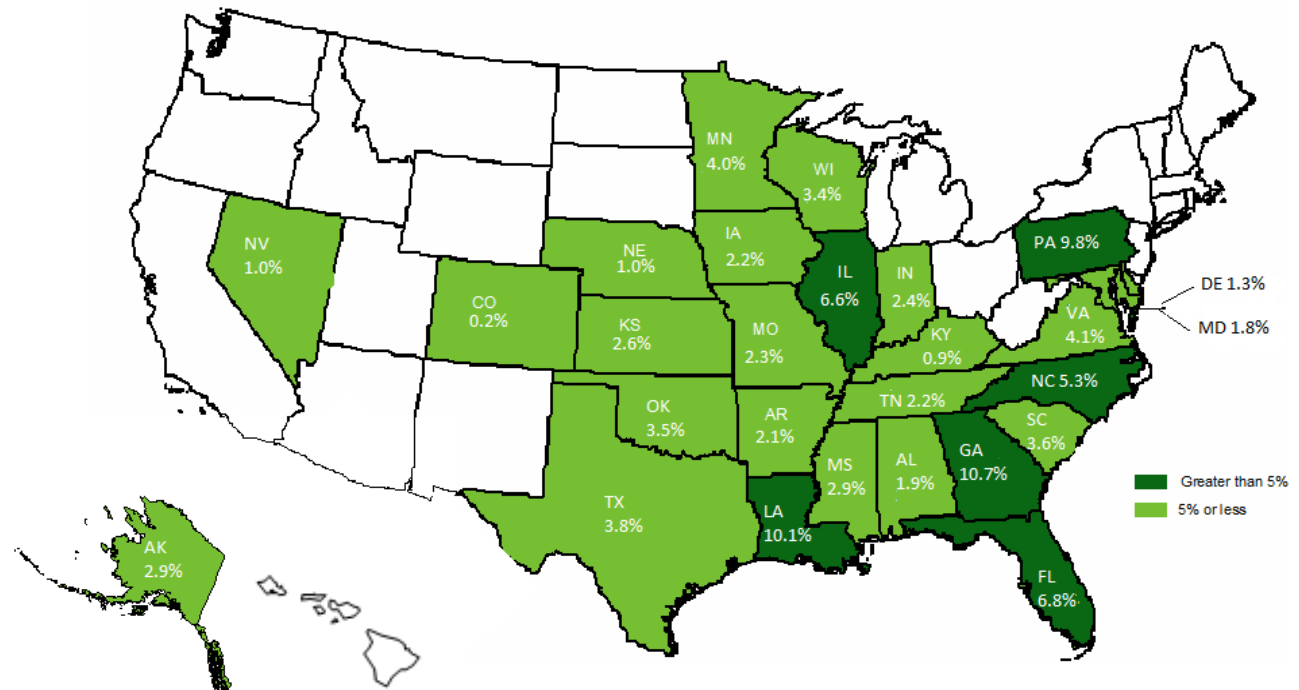
Overview

AMERISAFE has a 30-year operating history as a specialty provider of workers' compensation insurance for small to mid-sized employers engaged in high hazard industries

2015 Highlights

- GPW Growth: -1.9%
- Combined ratio: 79.8%
- ROAE: 15.6%

Premium Distribution by State



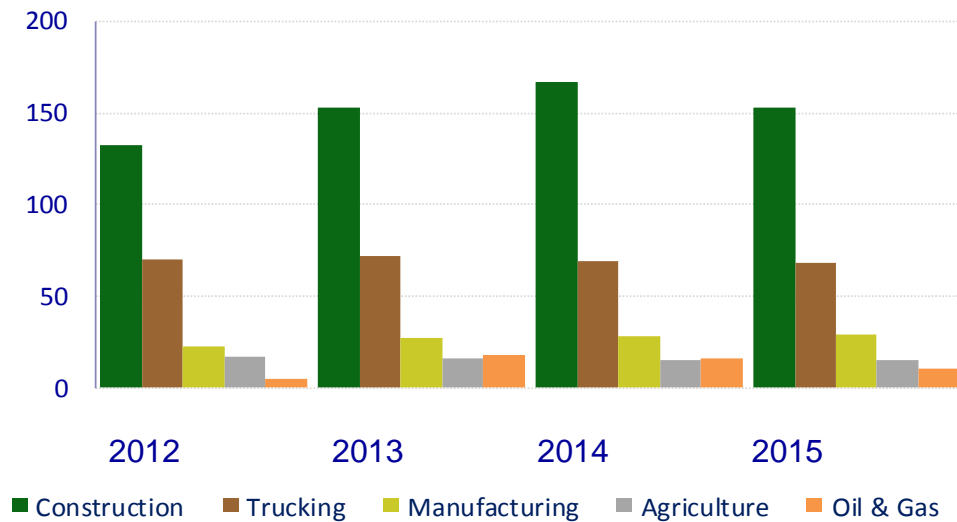
AMERISAFE actively markets insurance in 27 states



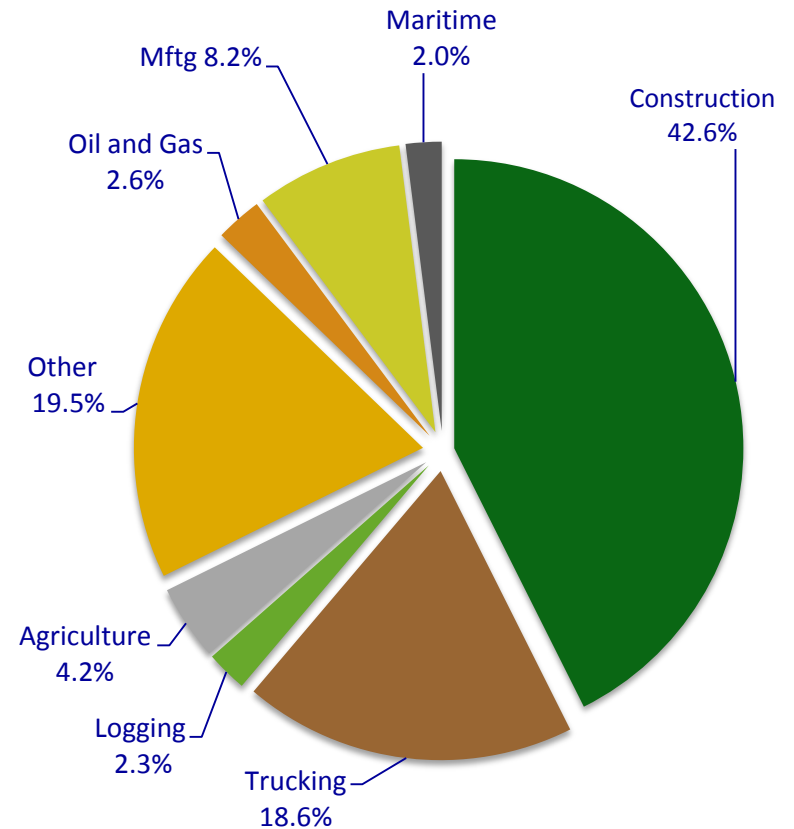
Premium Distribution

**Historical Premium Distribution
of Major Industry Groups**

(in \$ millions)



Premium Distribution by Industry as of 12/31/15
*Includes Assigned Risk & Assumed premiums



Pillars of Distinction

AMSF

High Hazard Niche Focus

- Rate more than 3x national average
- Difficult to serve industry sub-segments
- Mobile workforce-non-fixed workplace environment
- Less impacted by soft market cycles

Small to Mid-Size Employer Focus

- Less competition
- Less price sensitivity
- More difficult to serve
- Higher client retention
- Requires expense management/operational efficiency

High Hazard Underwriting Expertise

- Industry-specific risk analysis tools
- Underwriters' knowledge of industry practices
- No MGA's/MGU's
- Track record of pricing discipline

Comprehensive Safety Services

- Field Safety Professionals (FSPs) maintain in-depth knowledge of high hazard industries
- Pre-quotations, worksite safety inspection performed on 90% of new accounts
- FSPs geographically dispersed

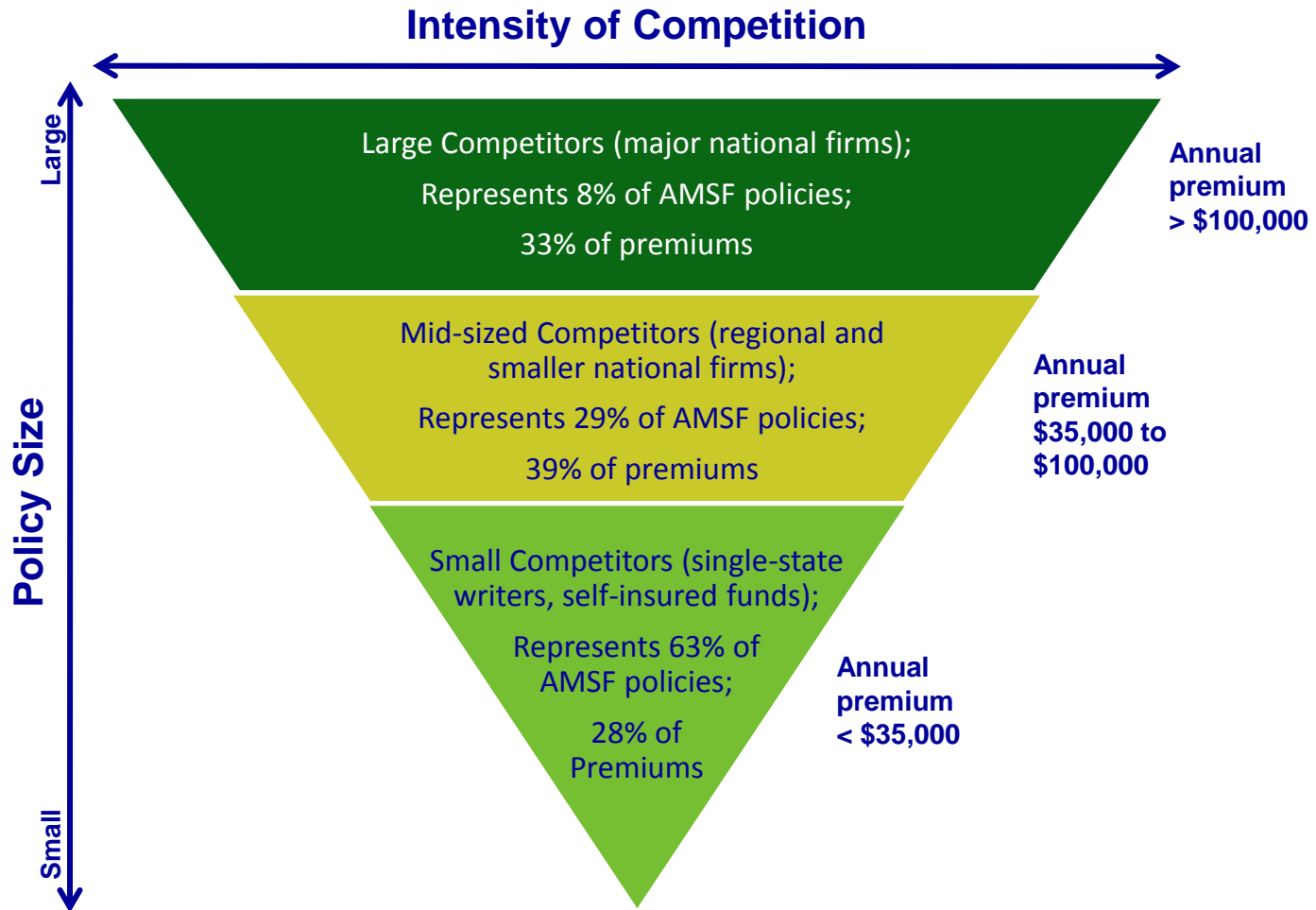
Intensive Claims Management

- Field Case Managers (FCMs) located in service areas
- Low case load 50 claims per FCM
- Higher severity losses require unique claims handling skills and processes
- FCMs focus on timely resolution of claims



Amerisafe Customer Overview

- Competition is fragmented, and favors multi-state writers of small to mid-sized employers



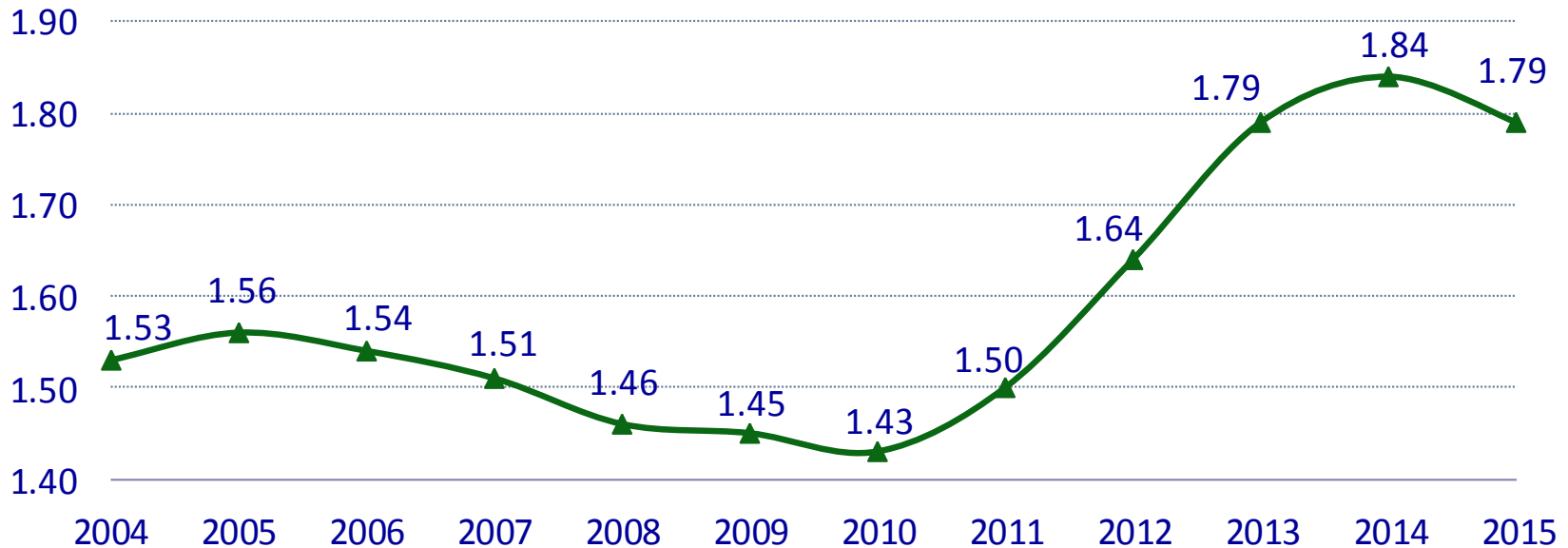
As of 12/31/2015



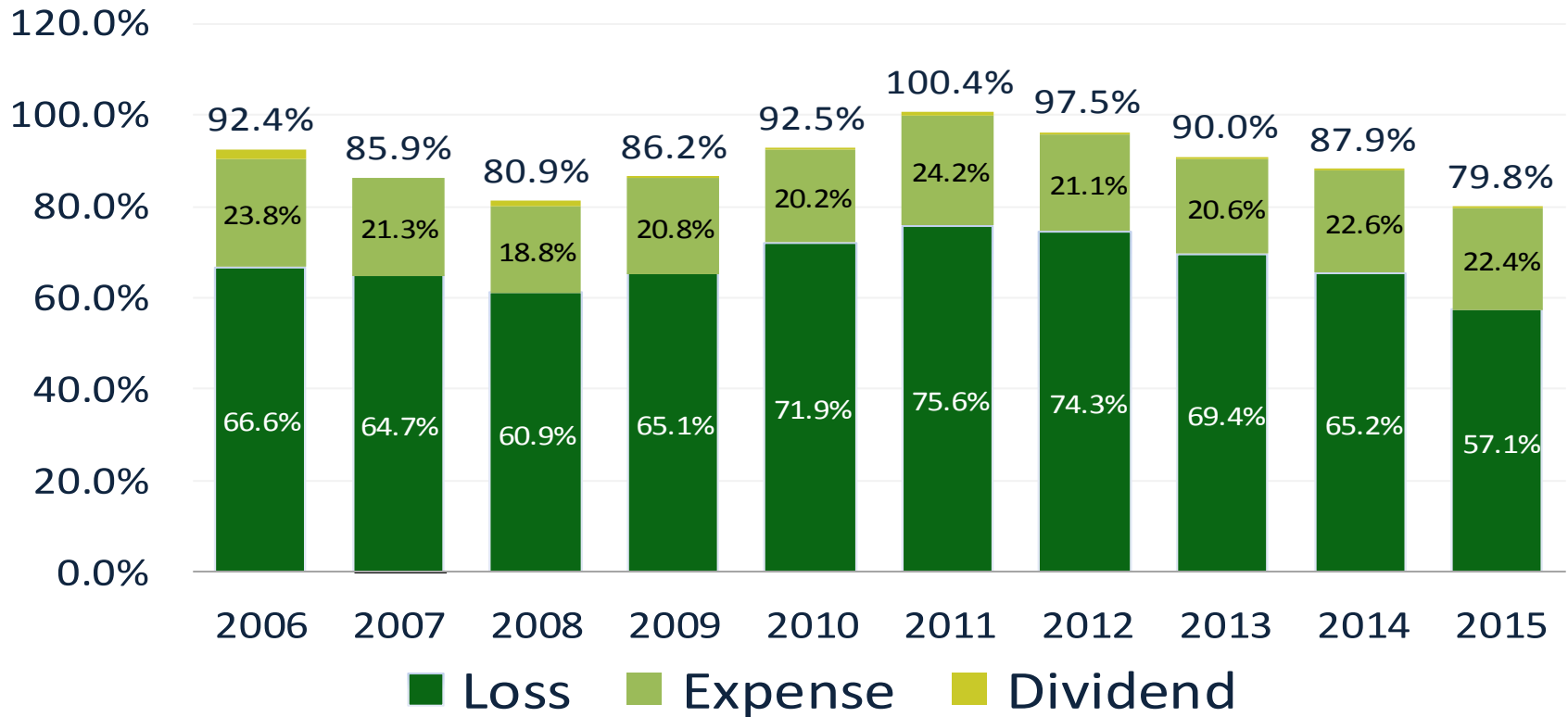
Pricing for Profitability

- Loss costs – estimated loss/\$100 payroll approved by state regulator
- Loss cost multiplier (LCM) – multiplier applied to loss costs to cover company expenses above loss costs
- Effective loss cost multiplier (ELCM) – aggregate actual LCM, including the impact of discretionary pricing as permitted

Policy Year ELCM



Combined Ratio



Consistently profitable underwriting
 ❖ Average 89.4 % last ten years



Economic Model - ROE Drivers

2015

| | |
|-----------------------------|-------|
| Loss Ratio | 57.1% |
| + | |
| Expense Ratio | 22.4% |
| + | |
| Policyholder Dividend Ratio | 0.3% |
| = | |
| Combined Ratio | 79.8% |

| | |
|--------------------------------|-------|
| Underwriting Profit | 20.2% |
| x | |
| Operating Leverage | 0.83 |
| = | |
| Pre-tax ROAE from Underwriting | 16.8% |

| | |
|-----------------------------|------|
| Pre-tax Investment Yield | 2.5% |
| x | |
| Investment Leverage | 2.5 |
| = | |
| Pre-tax ROAE from Investing | 6.2% |

| | |
|--|-------|
| Pre-tax ROAE from Other Income (Expense) | -0.6% |
|--|-------|

| | |
|--------------|-------|
| Pre-tax ROAE | 22.4% |
|--------------|-------|

| | |
|--------------------|-------|
| Effective Tax Rate | 30.2% |
|--------------------|-------|

| | |
|------|-------|
| ROAE | 15.6% |
|------|-------|

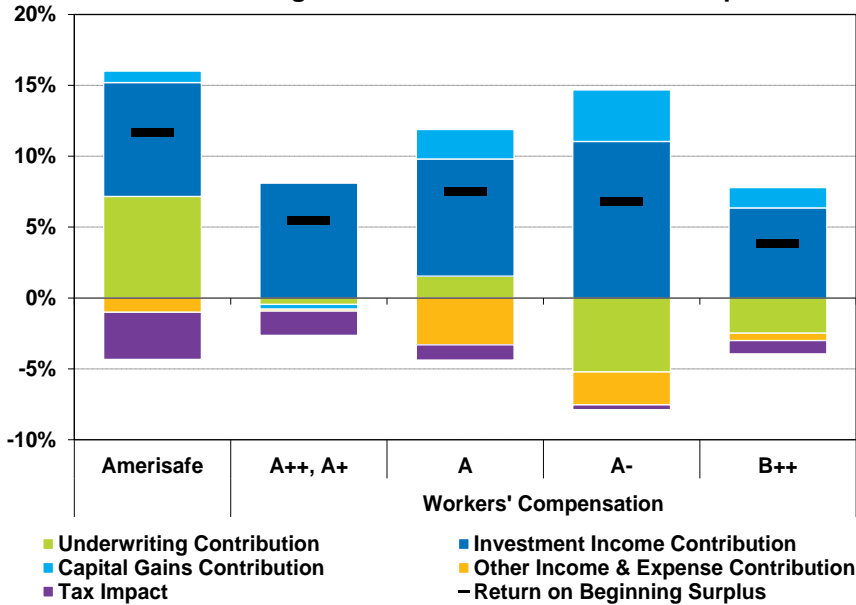
❖ Imperative to execute on the fundamentals of underwriting, safety and claims with investment yields at current levels

❖ At current leverage ratios, a 1 point change in Loss Ratio equates to a 32 BP change in yield to maintain ROE

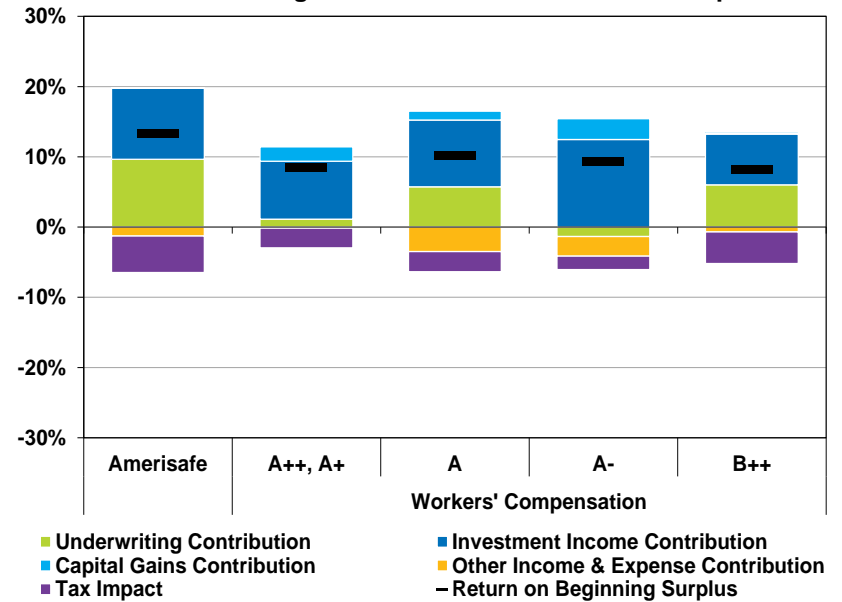


Contributions to Returns

5 Year Average Contribution and Return on Surplus



10 Year Average Contribution and Return on Surplus

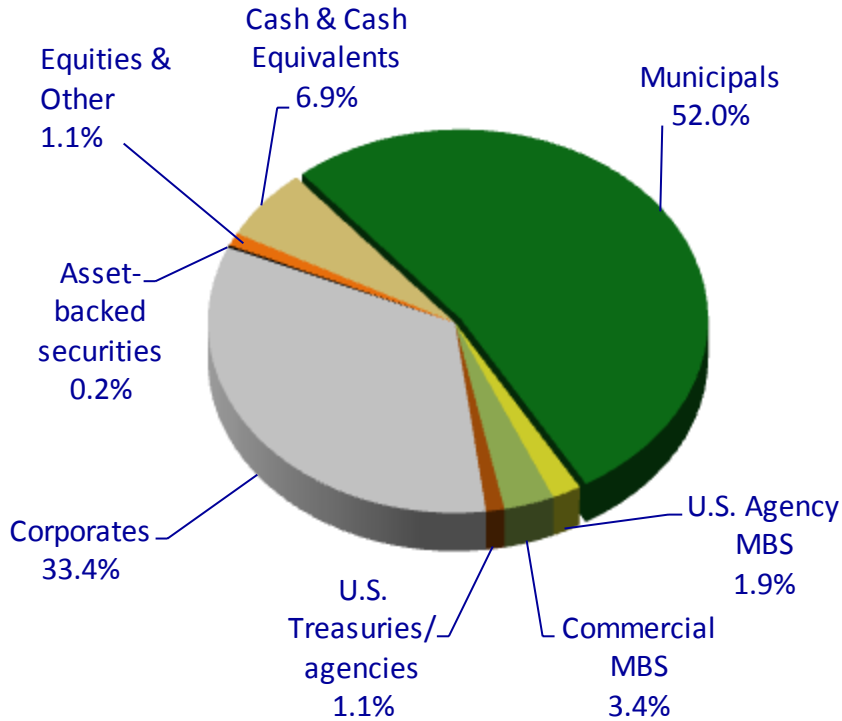


As of December, 2014; Source: A.M. Best



Investment Portfolio

Portfolio Allocation
(as of 12/31/2015)



Value of Fixed-Maturity Securities
Classified as Held-to-Maturity

(as of 12/31/2015)

| Investment | Book Value (\$millions) | Fair Value (\$millions) | Unrealized Gain (Loss) |
|-----------------|-------------------------|-------------------------|------------------------|
| Municipals | \$408.5 | \$423.8 | \$15.3 |
| Corporate Bonds | \$171.2 | \$170.5 | \$-0.7 |
| Commercial MBS | \$37.5 | \$37.7 | \$0.2 |
| U.S. Agency MBS | \$13.2 | \$14.5 | \$1.3 |
| U.S. Treasuries | \$12.5 | \$13.4 | \$0.9 |
| ABS | \$2.3 | \$2.4 | \$0.1 |
| Total | \$645.2 | \$662.3 | \$17.1 |

- ◆ Carrying value of cash and investments was \$1.1 billion at December 31, 2015

- ◆ As of December 31, 2015, fixed-maturity securities have an average composite credit rating of “AA-”



Capital Management

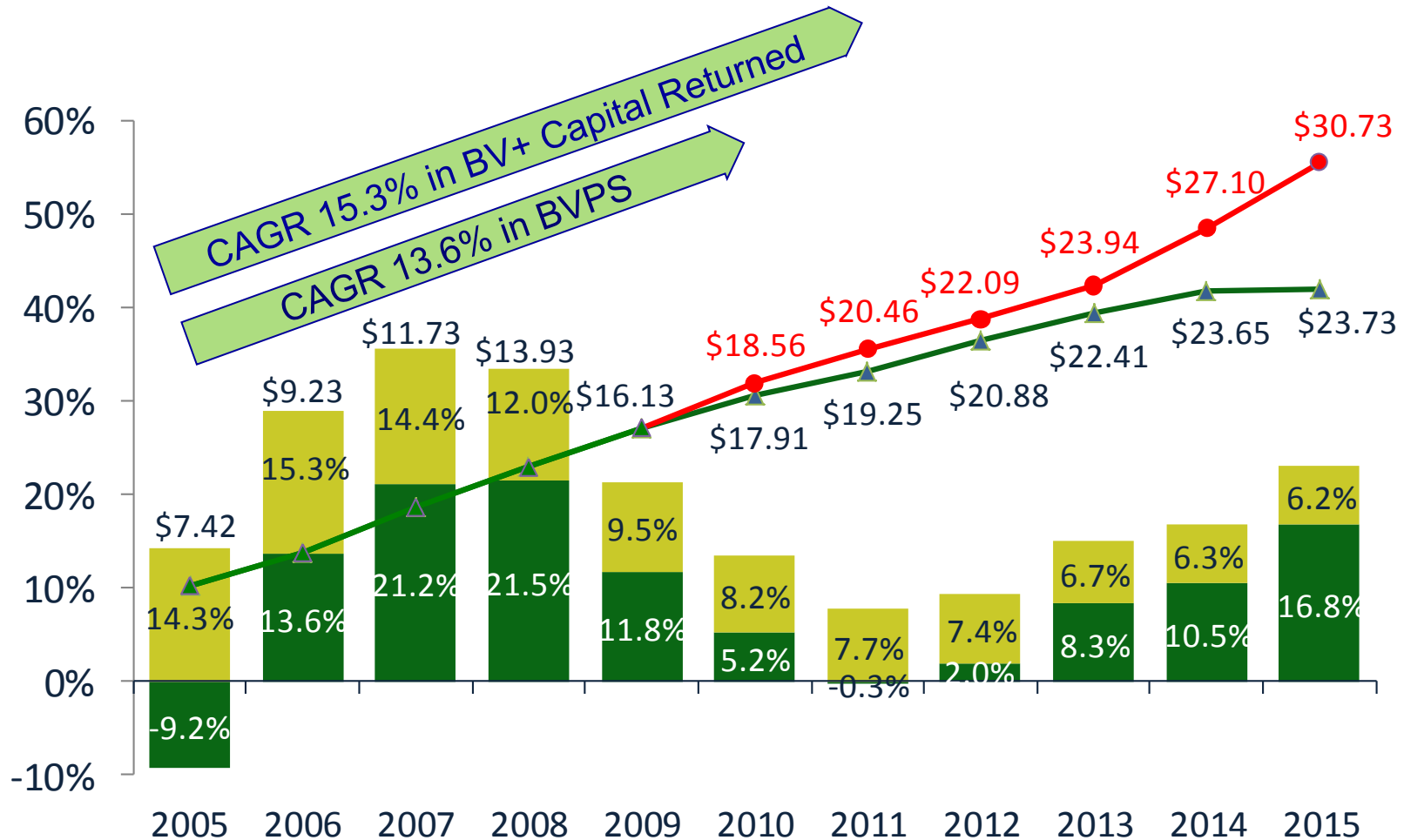
- Goal: Maintain and Balance
 - Hold prudent capital levels to maintain A.M. Best financial strength rating of “A”, yet achieve attractive returns for shareholders

- History of Proactive Capital Management
 - \$62.0M of preferred and debt retirement
 - \$22.4M of share repurchases
 - \$111.9M of dividends paid/declared
 - Extraordinary Dividends \$28.2M in 2014; \$57.4M in 2015

- Current Capital Deployment Strategies
 - Organic growth
 - Acquisition considerations
 - Renewal rights
 - Balance sheet
 - Continued dividend payments
 - \$25M Share repurchase authorization



Historical Financial Performance



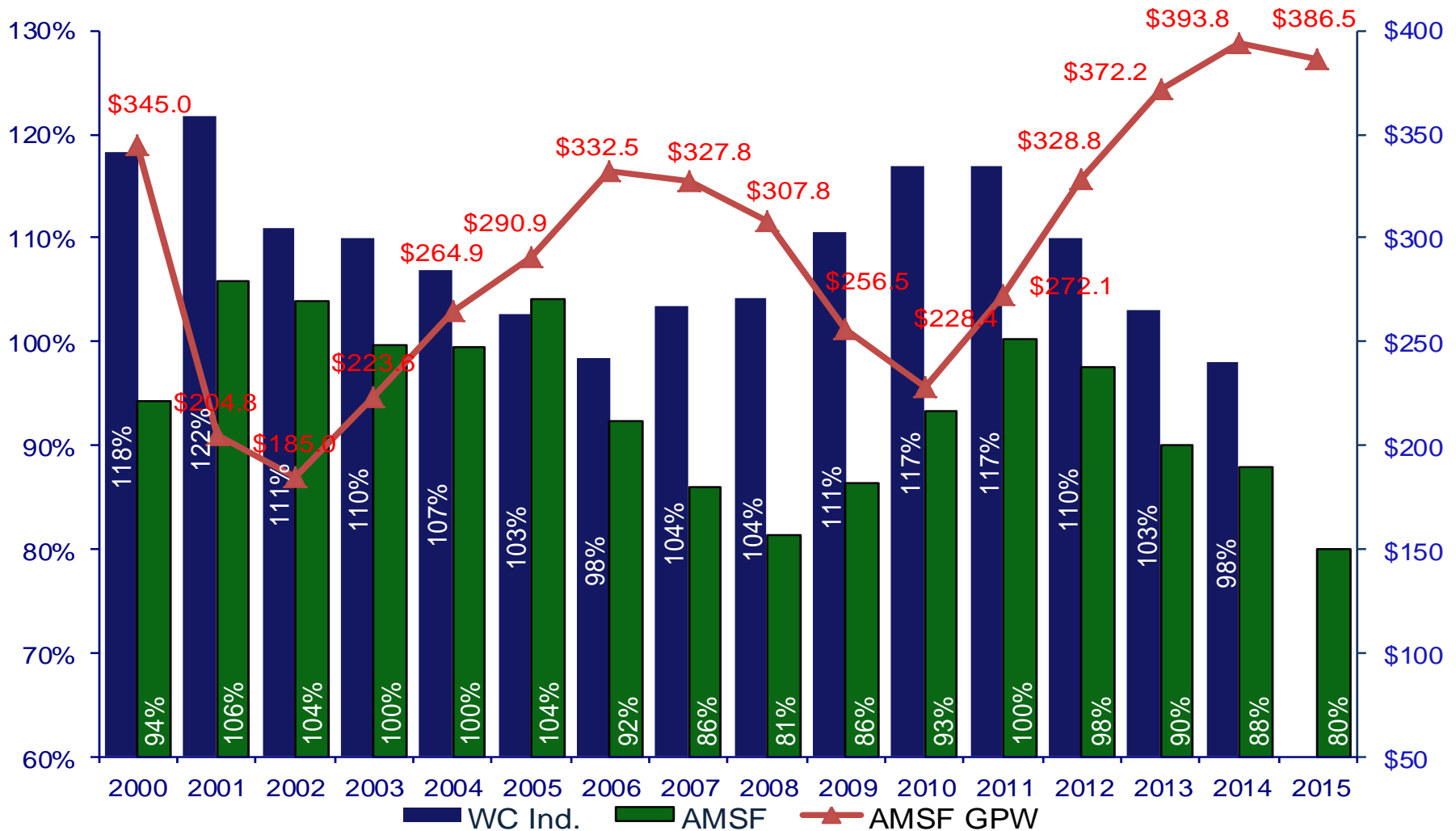
■ Pre-tax UW ROE
 ■ Pre-tax Investing ROE
 ▲ BVPS
 ● BV+ Capital Returned



Current Workers' Compensation Market Conditions



WC Industry Combined Ratio



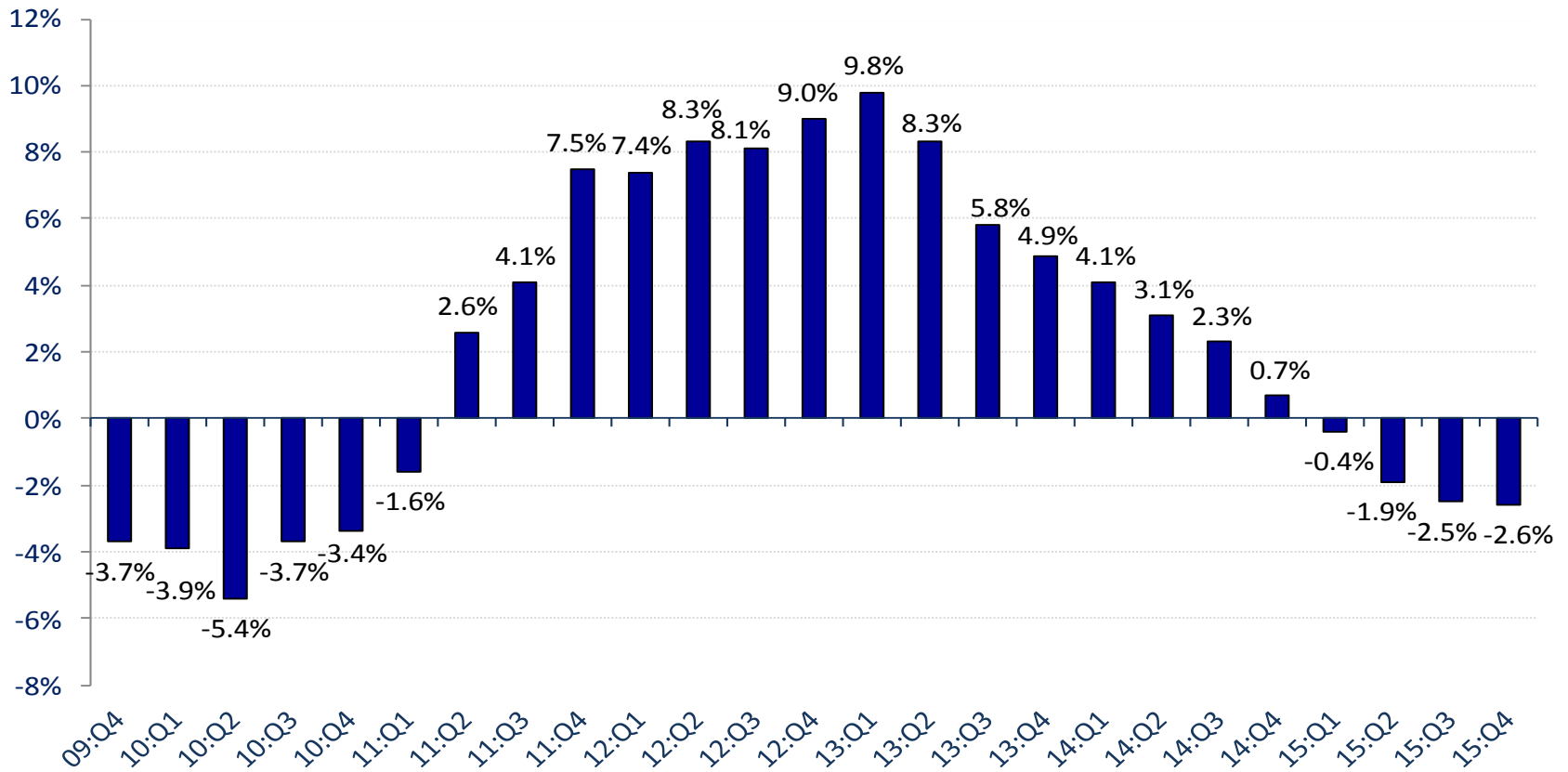
- ❖ AMSF Average Outperformance 14.0 pts., Since 2000
- ❖ AMSF Average Outperformance 16.3 pts., Since 2006

Sources: A.M. Best; Insurance Information Institute.



Workers Comp Rate Changes, 2009:Q4 – 2015:Q4

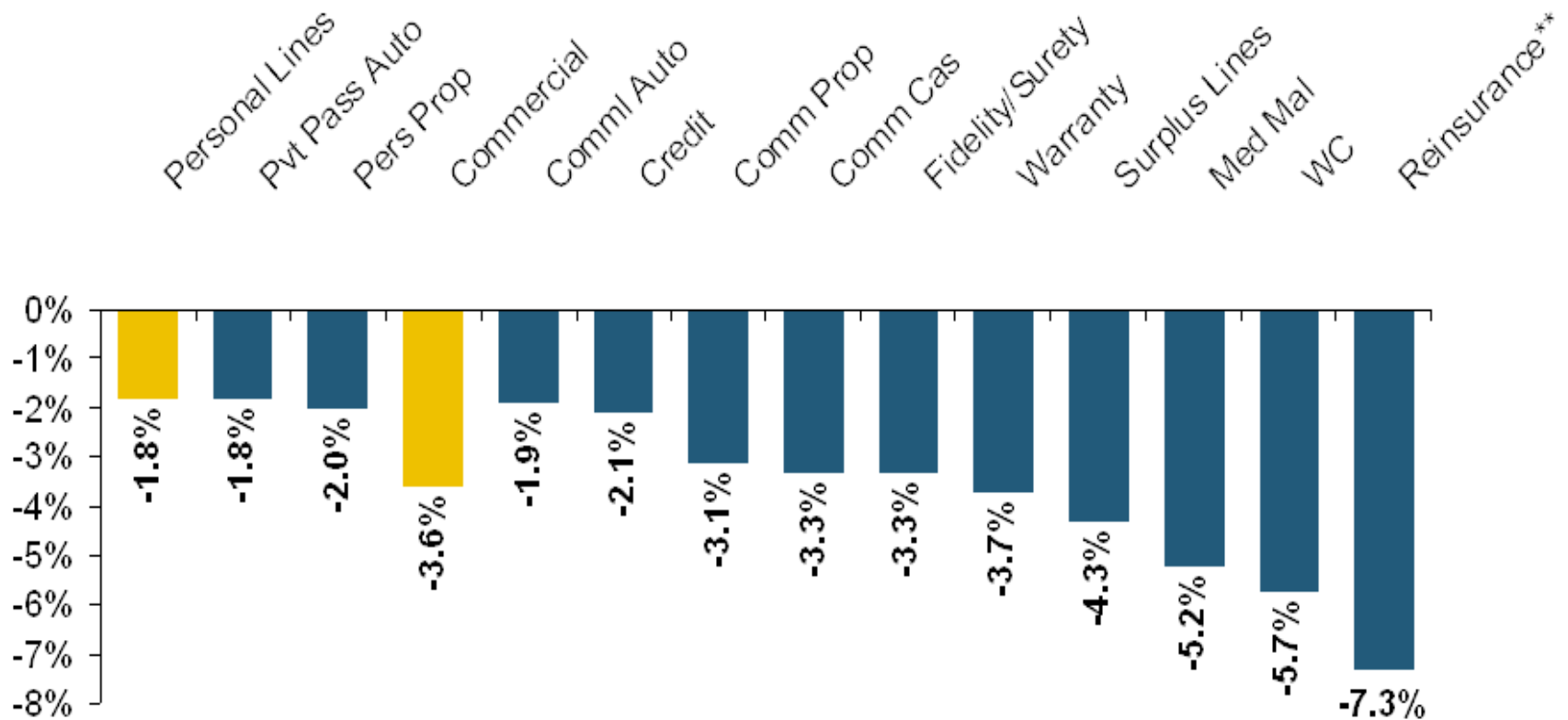
(Percent Change)



Source: The Council of Insurance Agents and Brokers.



Reduction in Combined Ratio Necessary to Offset 1% Decline in Investment Yield to Maintain Constant ROE, by Line*



Lower Investment Earnings Place a Greater Burden on Underwriting and Pricing Discipline

*Based on 2008 Invested Assets and Earned Premiums; **US domestic reinsurance only
Source: A.M. Best; Insurance Information Institute.



Appendix



Nasdaq: AMSF

Market Statistics:

| | |
|-----------------------------|--------------------------|
| Stock Price | \$52.06 |
| 52 week range | \$41.50 - \$57.20 |
| Shares Outstanding | 19.1 M |
| Market Cap | \$996 M |
| Book Value per Share | 23.73 |
| Price-to-Book | 2.19 |

Market data as of April 15, 2016; Financial data as of December 31, 2015



Selected Balance Sheet Data

(in thousands)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|
| Investments, Cash and cash equivalents | 1,114,633 | 1,107,289 | 1,001,852 |
| Amounts recoverable from reinsurers | 91,077 | 85,888 | 75,326 |
| Premiums receivable, net | 185,364 | 178,917 | 171,579 |
| Deferred income taxes | 29,905 | 31,231 | 33,645 |
| Deferred policy acquisition costs | 20,412 | 19,649 | 19,171 |
| Other Assets | 60,654 | 34,246 | 27,428 |
| Total Assets | 1,502,045 | 1,457,220 | 1,329,001 |
| Reserves for loss and loss adjustment expenses | 718,033 | 687,602 | 614,557 |
| Unearned premiums | 167,983 | 168,576 | 164,296 |
| Insurance-related assessments | 32,329 | 29,315 | 25,428 |
| Other Liabilities | 129,719 | 124,579 | 107,906 |
| Shareholders' equity | 453,981 | 446,968 | 416,814 |
| <u>Metrics</u> | | | |
| Book Value Per Share | \$23.73 | \$23.65 | \$22.41 |



Income Statement

(in thousands)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-----------------|-----------------|-----------------|
| Revenues: | | | |
| Gross premiums written | \$386,529 | \$393,819 | \$372,177 |
| Ceded premiums written | (11,228) | (13,793) | (18,425) |
| Net premiums written | <u>375,301</u> | <u>380,026</u> | <u>353,752</u> |
| Net premiums earned | 375,894 | 375,747 | 329,983 |
| Net investment income | 27,902 | 27,214 | 27,029 |
| Net realized gains (losses) on investments | (2,494) | 697 | (1,211) |
| Fee and other income | (348) | 361 | 534 |
| Total revenues | <u>400,954</u> | <u>404,019</u> | <u>356,335</u> |
| Expenses: | | | |
| Loss and loss adjustment expenses incurred | 214,573 | 244,916 | 228,973 |
| Underwriting and other operating costs | 84,113 | 84,963 | 67,116 |
| Policyholder dividends | 1,301 | 391 | 1,042 |
| Total expenses | <u>299,987</u> | <u>330,270</u> | <u>297,131</u> |
| Income before taxes | 100,967 | 73,749 | 59,204 |
| Income tax expense | 30,505 | 20,083 | 15,567 |
| Net income | <u>\$70,462</u> | <u>\$53,666</u> | <u>\$43,637</u> |

