



# AMERISAFE

**FBR 23<sup>rd</sup> Annual Investor Conference  
November 29, 2016**



**G. Janelle Frost  
Chief Executive Officer**

**Neal A. Fuller  
Chief Financial Officer**

# 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.



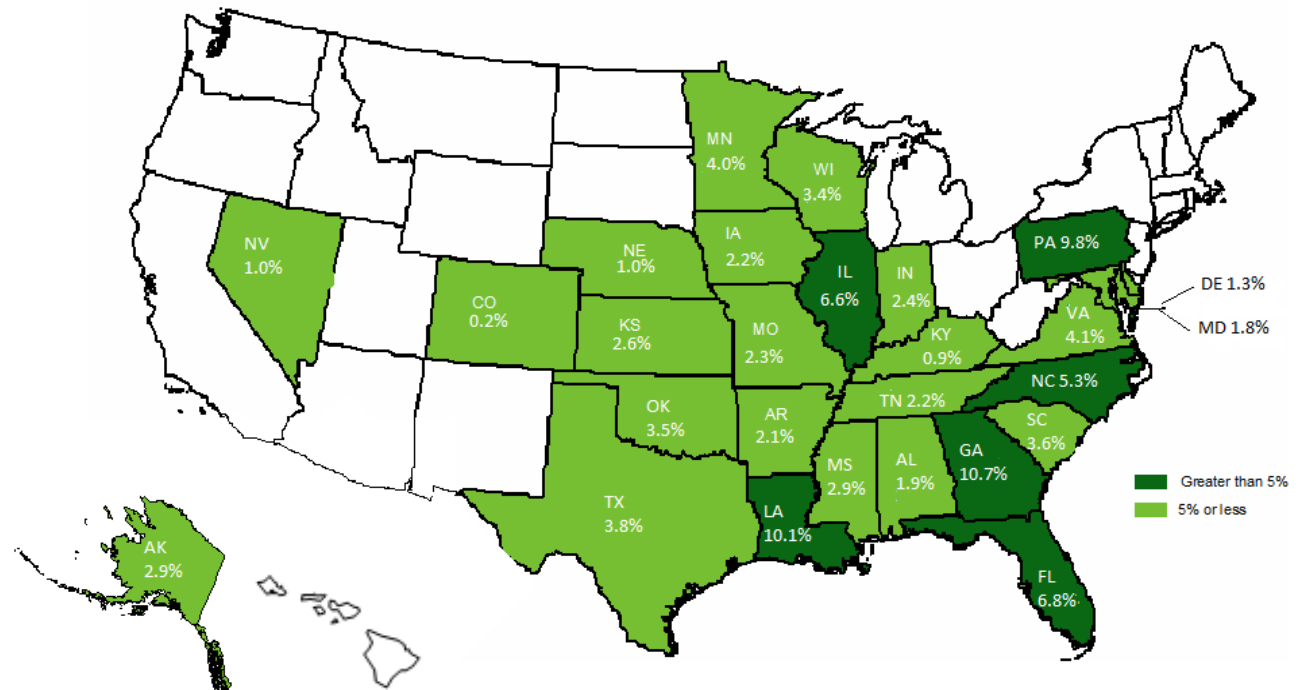
# Overview

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 Premium Distribution by State

### 2016 YTD Highlights

- GPW Growth: -1.8%
- Combined ratio: 77.0%
- ROAE: 16.3%



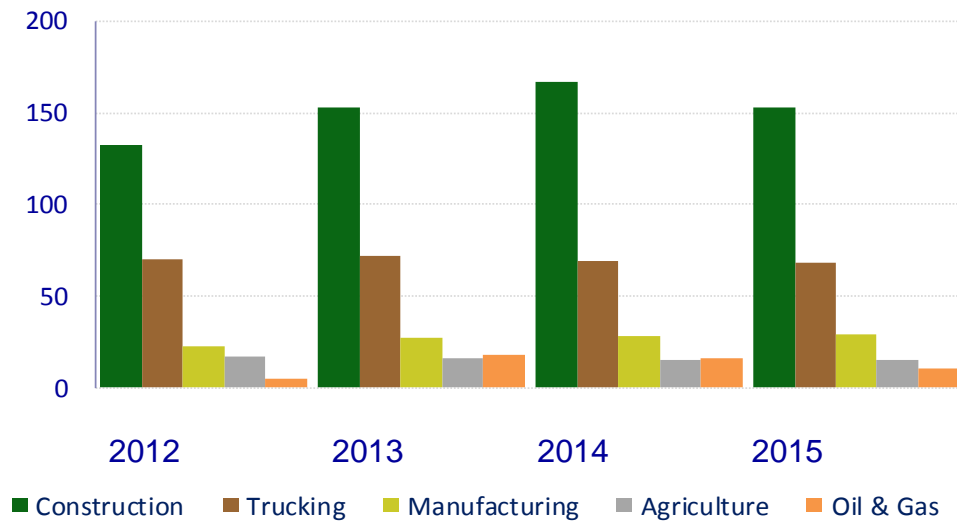
AMERISAFE actively markets insurance in 27 states



# Premium Distribution

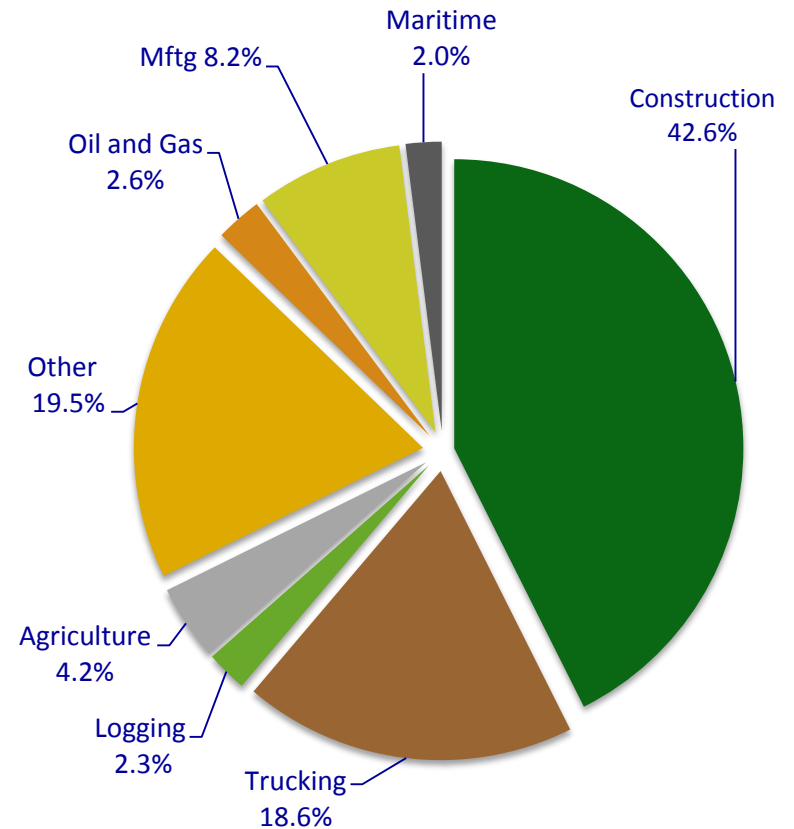
## Historical Premium Distribution of Major Industry Groups

(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-quotation, worksite safety inspection performed on 90% of new accounts
- FSPs geographically dispersed

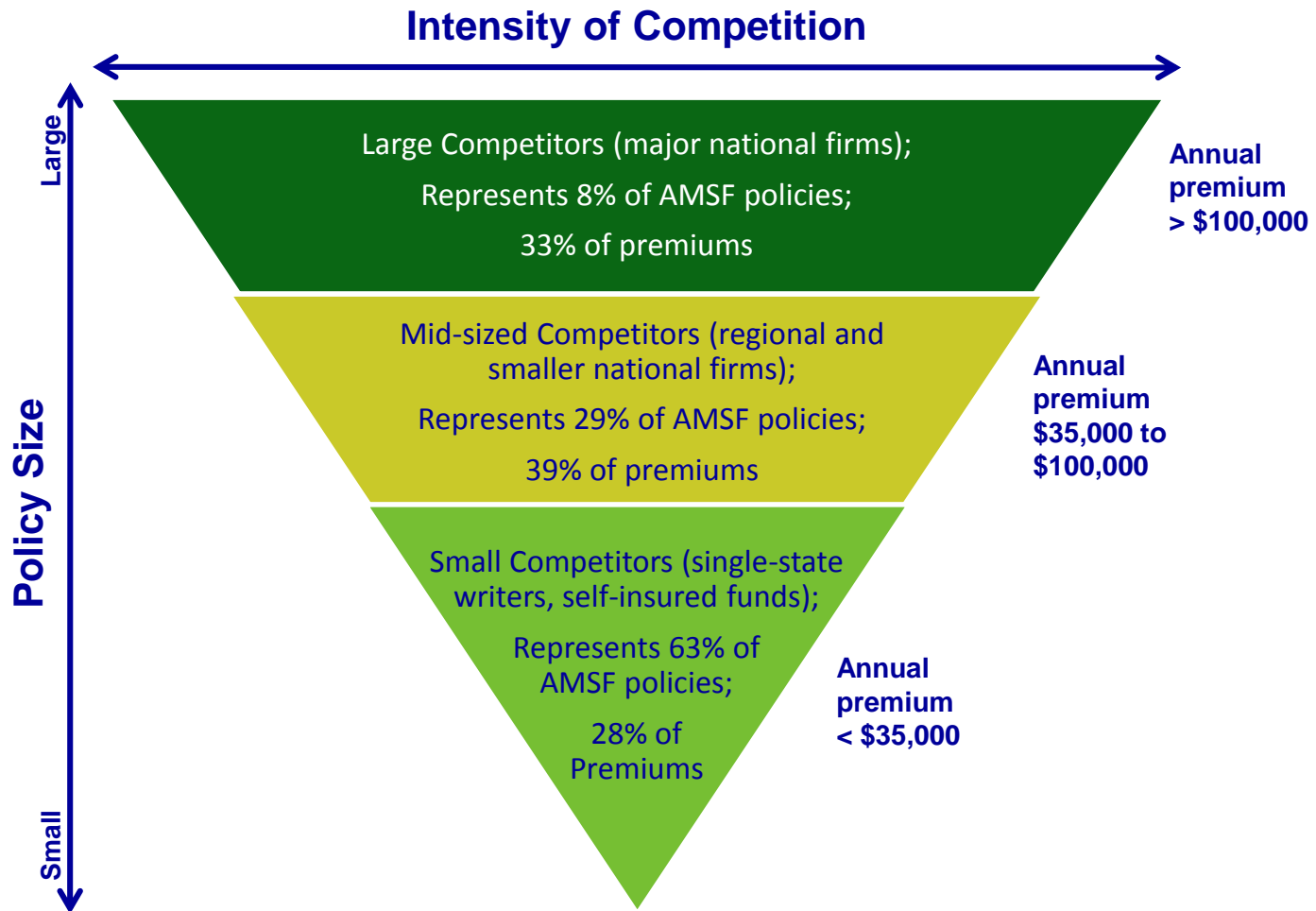
### Intensive Claims Management

- 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



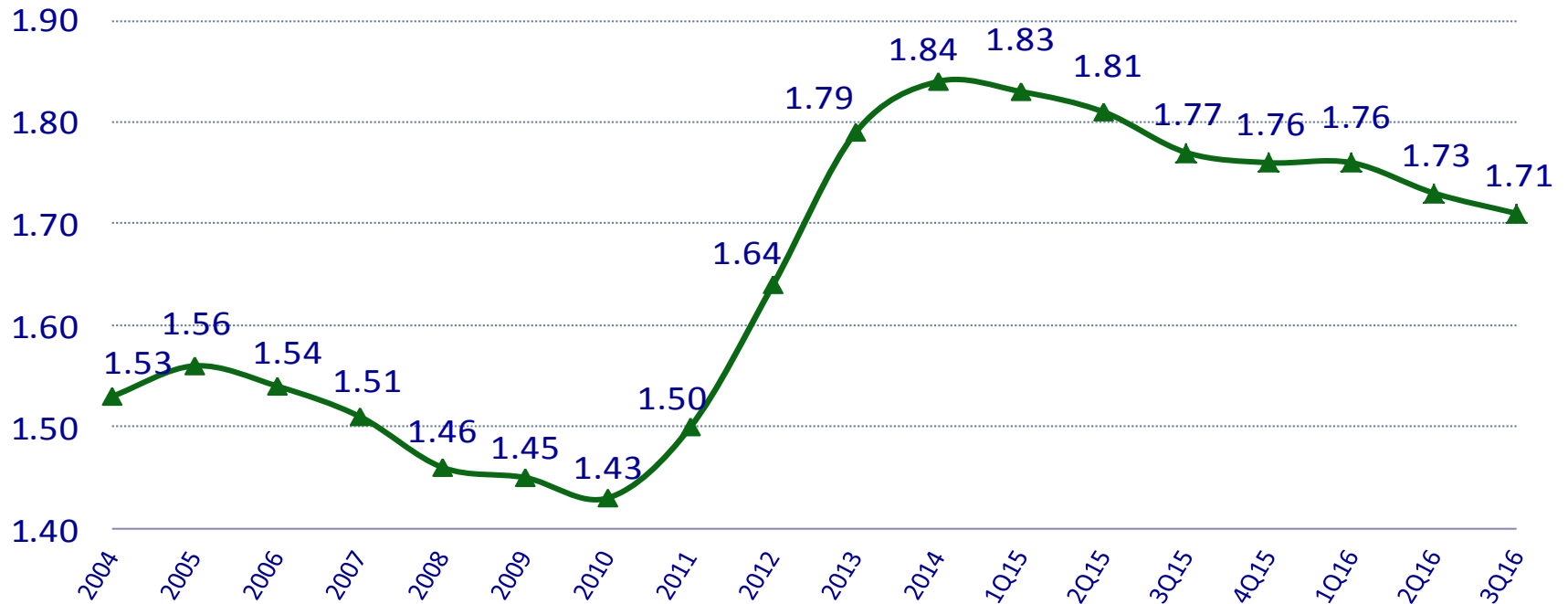
As of 12/31/2015



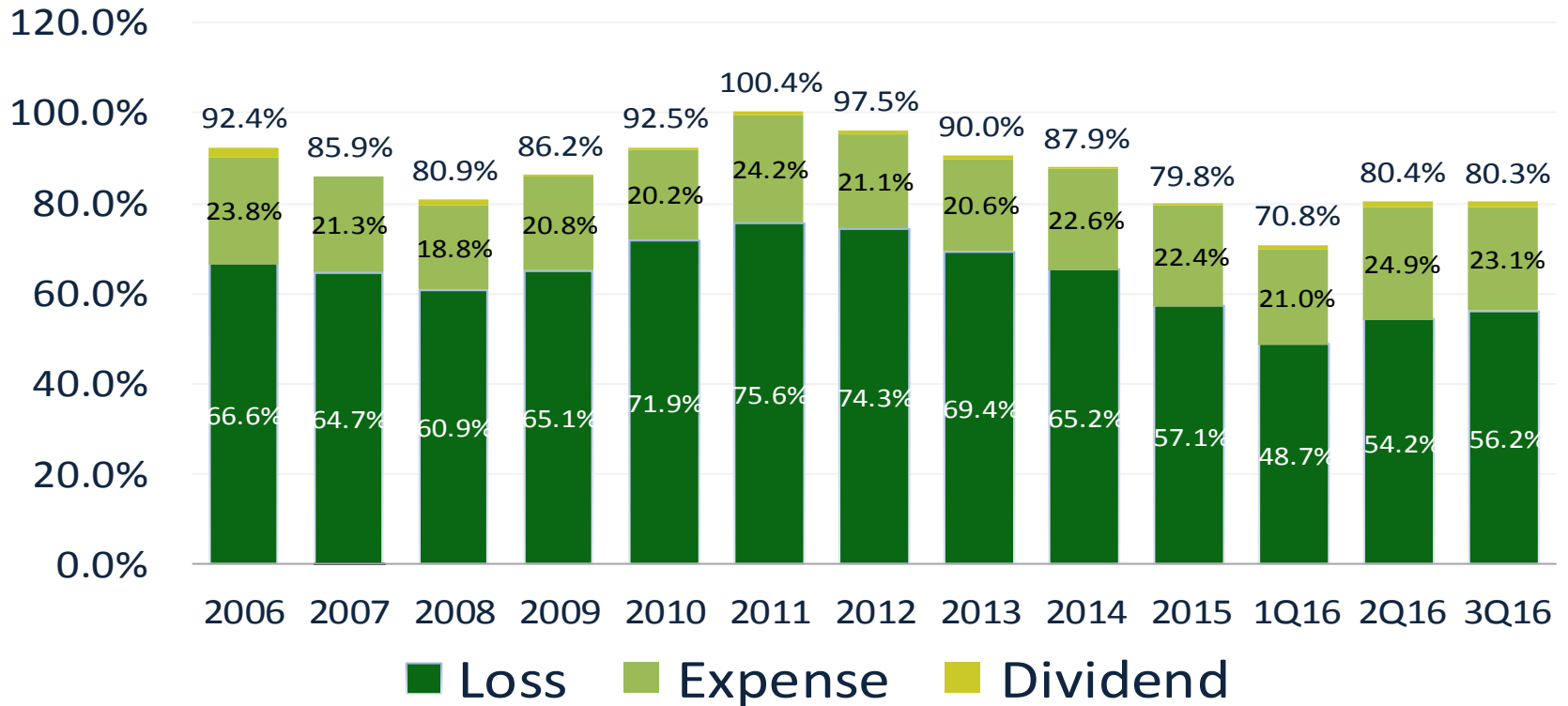
# Pricing for Profitability

- 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

YTD16

Loss Ratio	52.9%
+	
Expense Ratio	22.9%
+	
Policyholder Dividend Ratio	1.2%
=	
Combined Ratio	77.0%
Underwriting Profit	23.0%
x	
Operating Leverage	0.77
=	
Pre-tax ROAE from Underwriting	17.7%
Pre-tax Investment Yield	2.4%
x	
Investment Leverage	2.4
=	
Pre-tax ROAE from Investing	5.8%
Pre-tax ROAE from Other Income (Expense)	0.1%
Pre-tax ROAE	23.6%
Effective Tax Rate	30.9%
ROAE	16.3%

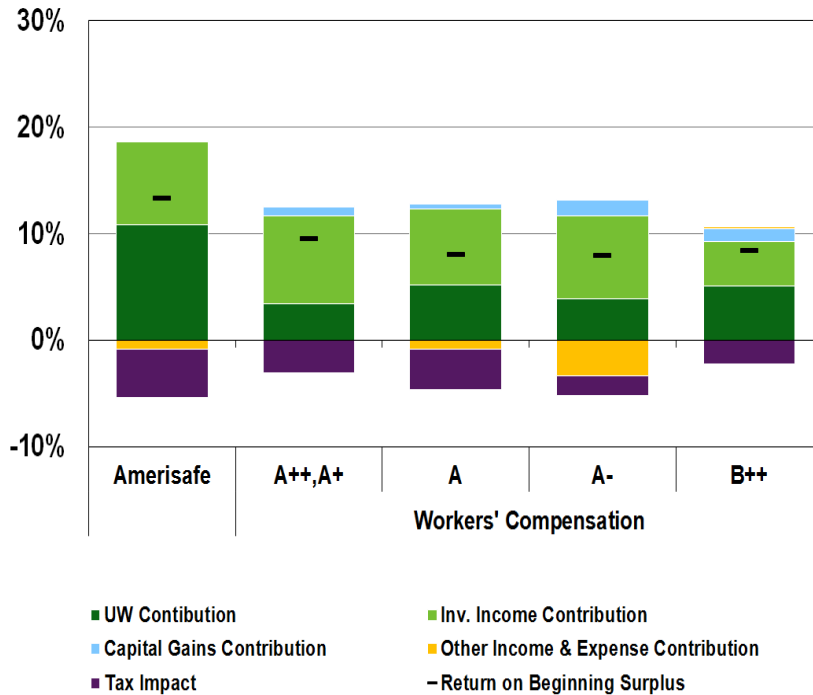
❖ Imperative to execute on the fundamentals of underwriting, safety and claims with investment yields at current levels

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

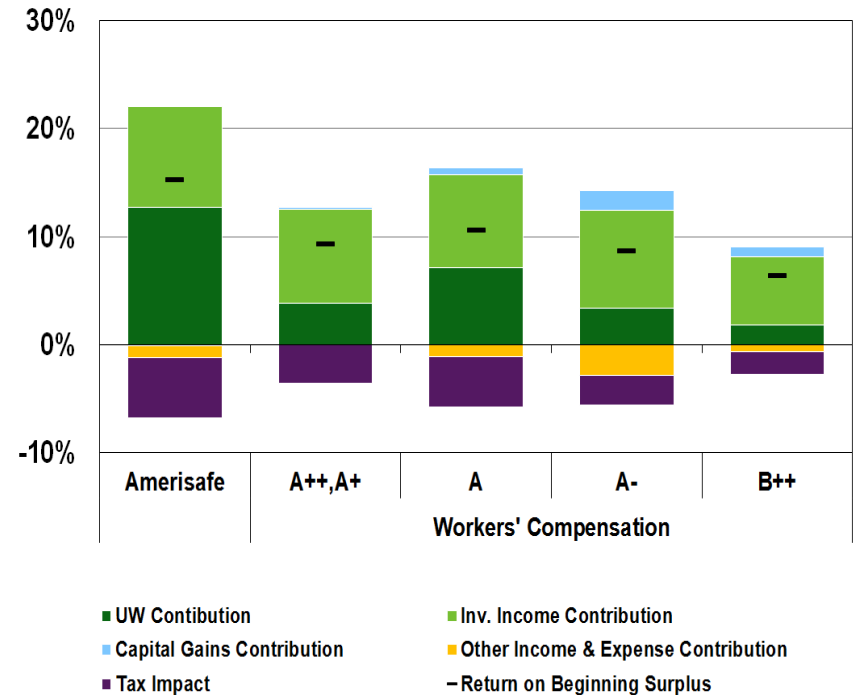


# Contributions to Returns

5 Year ROS Contribution



10 Year ROS Contribution

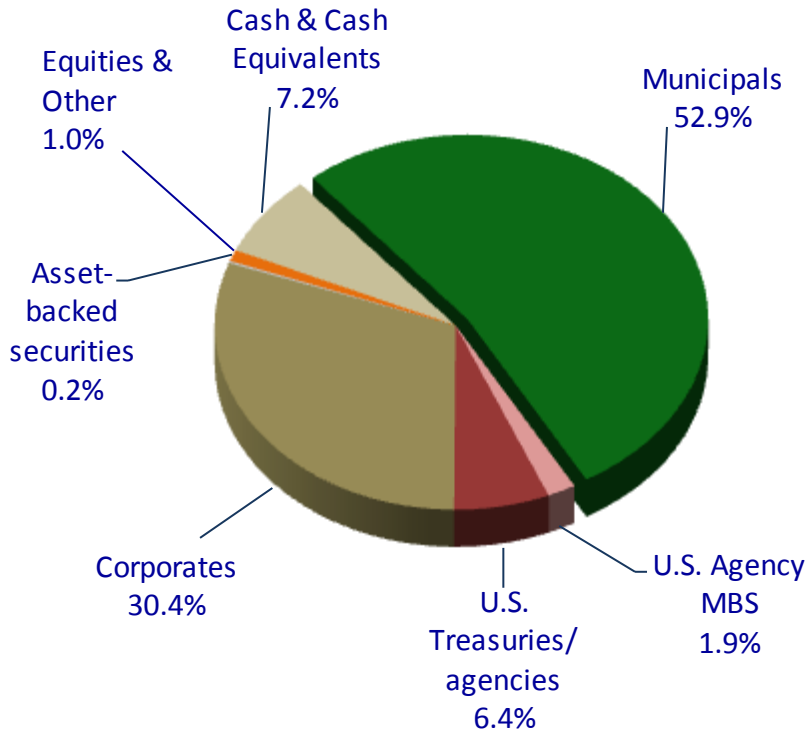


Amerisafe continues to outperform A.M. Best rated workers' compensation peer group, due primarily to favorable underwriting performance



# Investment Portfolio

Portfolio Allocation  
(as of 9/30/2016)



Value of Fixed-Maturity Securities  
Classified as Held-to-Maturity  
(as of 9/30/2016)

Investment	Book Value (\$millions)	Fair Value (\$millions)	Unrealized Gain (Loss)
Municipals	\$418.1	\$433.7	\$15.6
Corporate Bonds	\$158.1	\$159.7	\$1.6
Commercial MBS	\$0.3	\$0.3	\$0.0
U.S. Agency MBS	\$10.9	\$12.1	\$1.2
U.S. Treasuries	\$11.9	\$12.9	\$1.0
ABS	\$2.0	\$2.1	\$0.1
<b>Total</b>	<b>\$601.3</b>	<b>\$620.8</b>	<b>\$19.5</b>

- ◆ Carrying value of cash and investments was \$1.2 billion at September 30, 2016

- ◆ As of September 30, 2016, fixed-maturity securities have an average composite credit rating of “AA-”

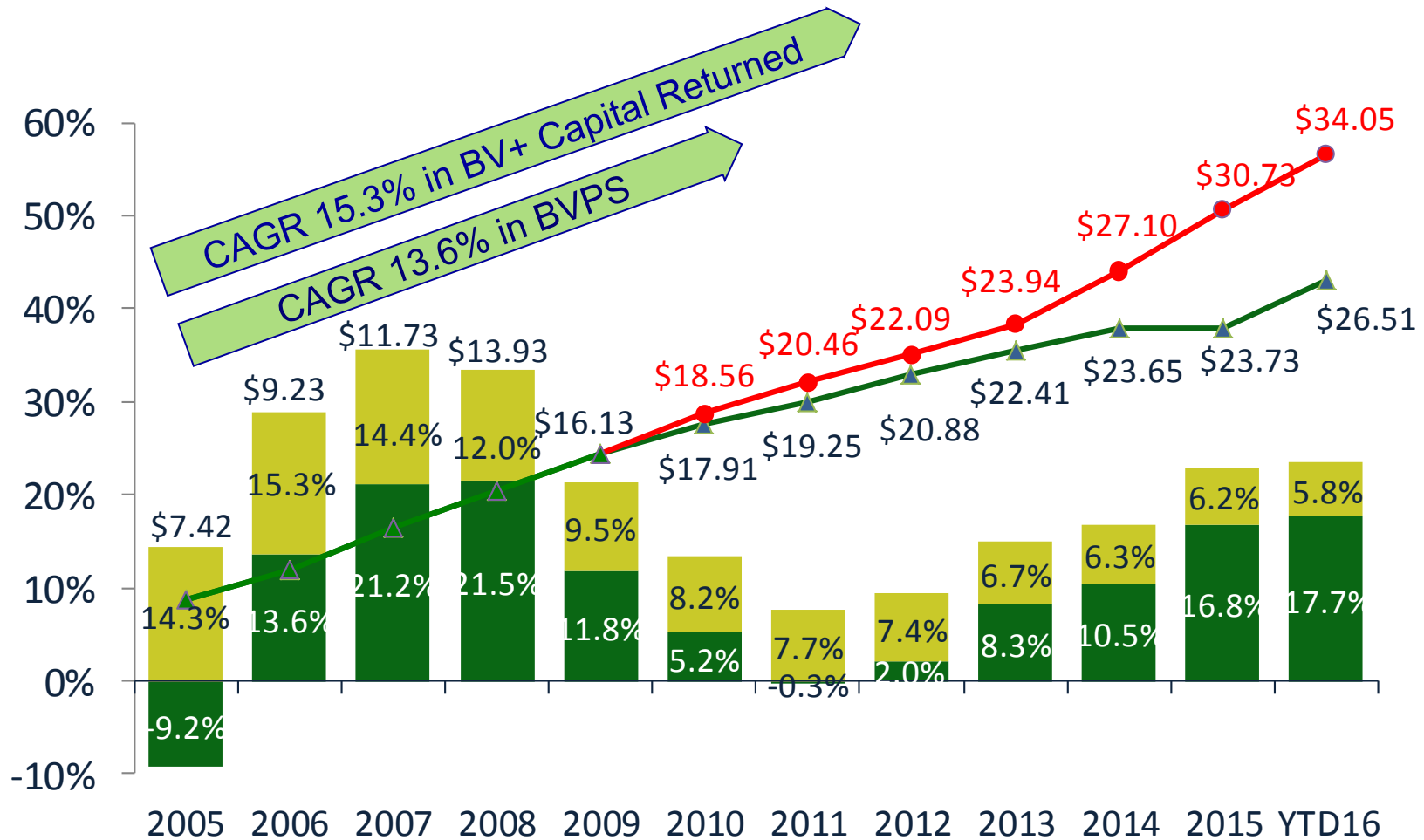


# Capital Management

- 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
  - \$184.9M of dividends paid/declared
    - Extraordinary Dividends \$28.2M in 2014; \$57.4M in 2015;
    - and \$62.5M in 2016
  
- Current Capital Deployment Strategies
  - Organic growth
  - Acquisition considerations
    - Renewal rights
    - Balance sheet
  - Continued dividend payments
  - \$25M Share repurchase authorization



# Historical Financial Performance



\*Does not include \$3.25 extraordinary dividend declared and to be paid in 4Q16

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

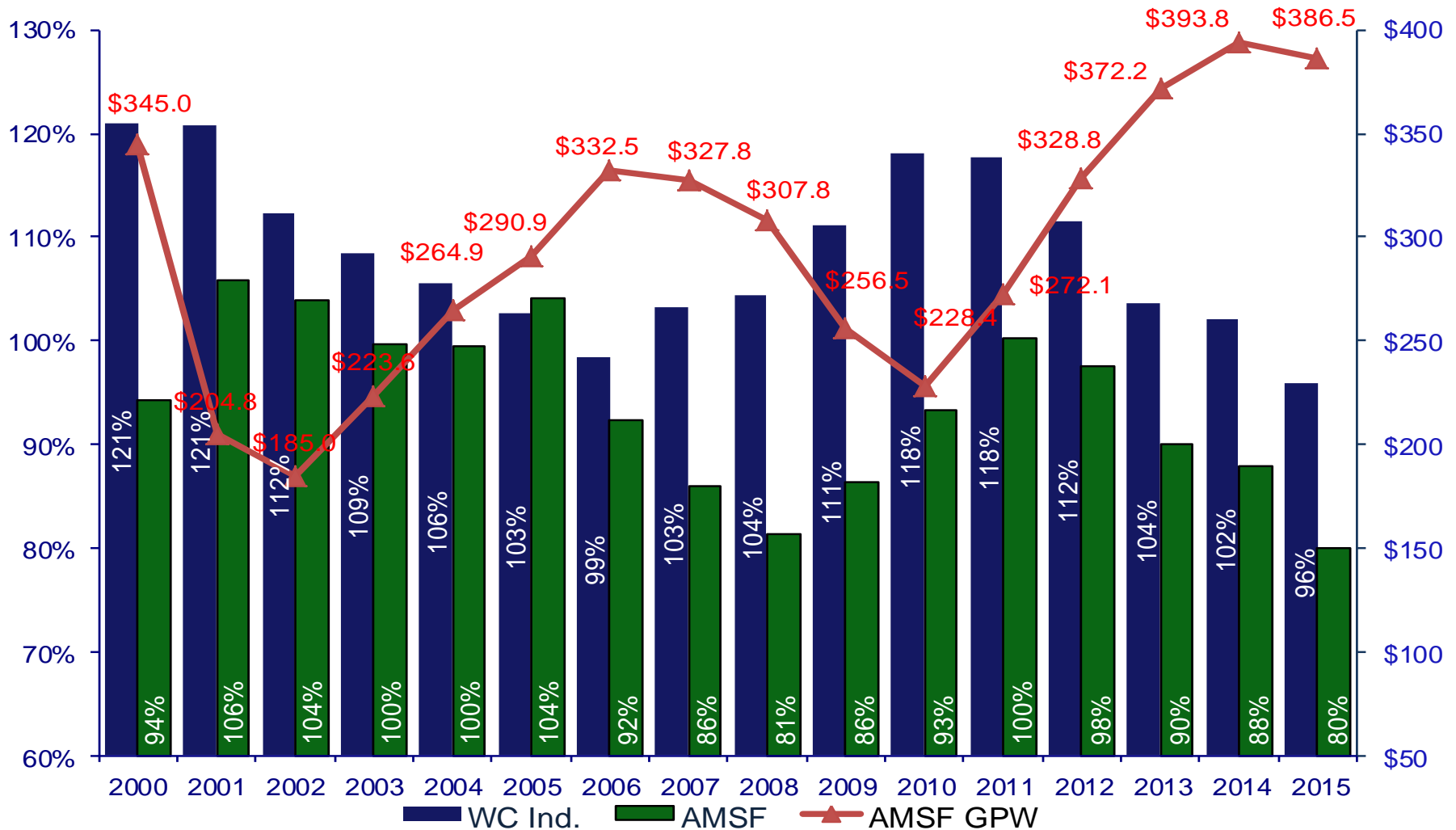


---

# **Current Workers' Compensation Market Conditions**



# WC Industry Combined Ratio



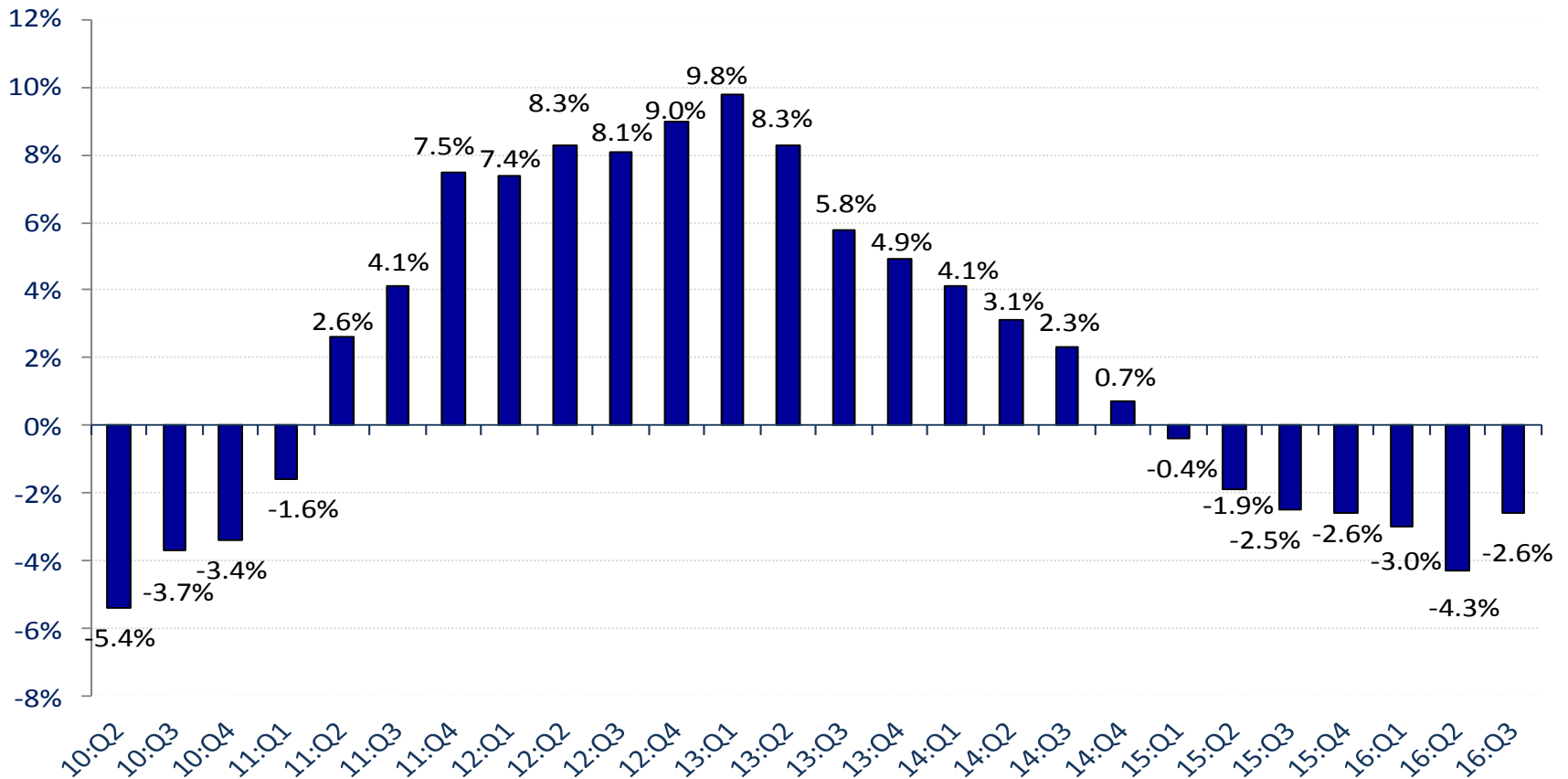
- ❖ AMSF Average Outperformance 14.8 pts., Since 2000
- ❖ AMSF Average Outperformance 17.3 pts., Since 2006

Sources: A.M. Best; Workers' Compensation Composite



# Workers Comp Rate Changes, 2010:Q2 – 2016:Q3

(Percent Change)

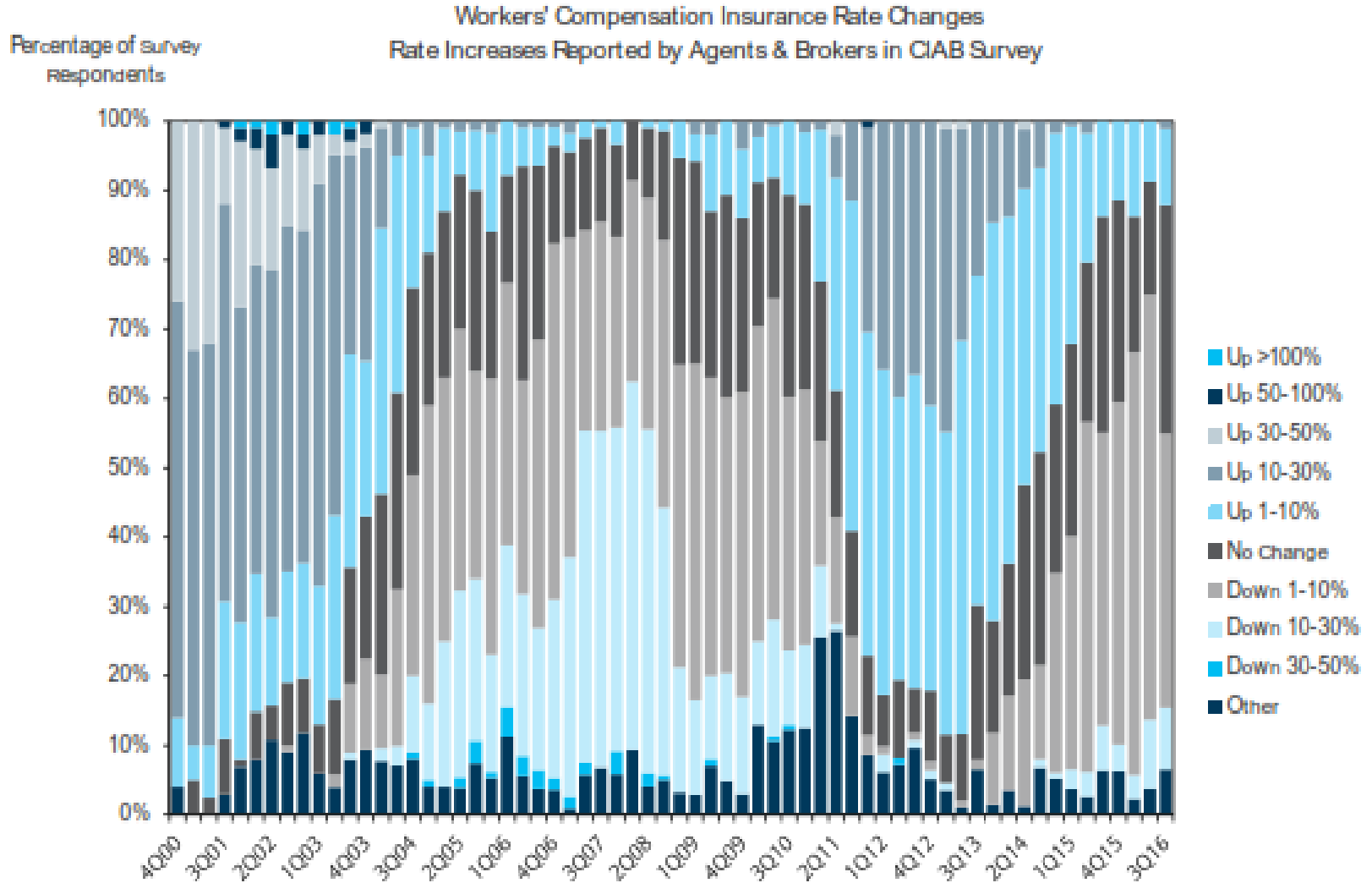


Source: The Council of Insurance Agents and Brokers.





# WC Insurance Rate Changes

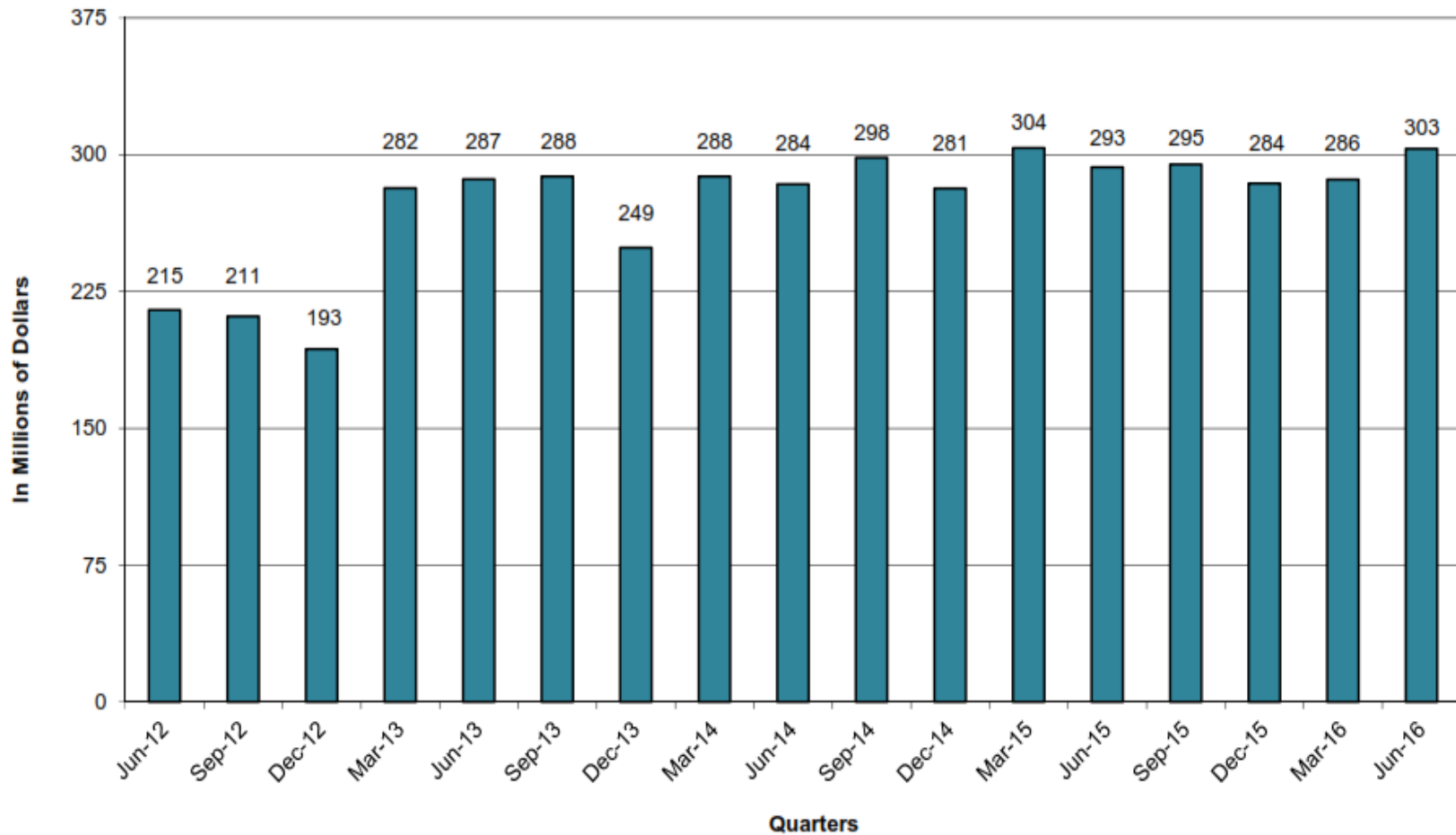


Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



# Residual Market Activity

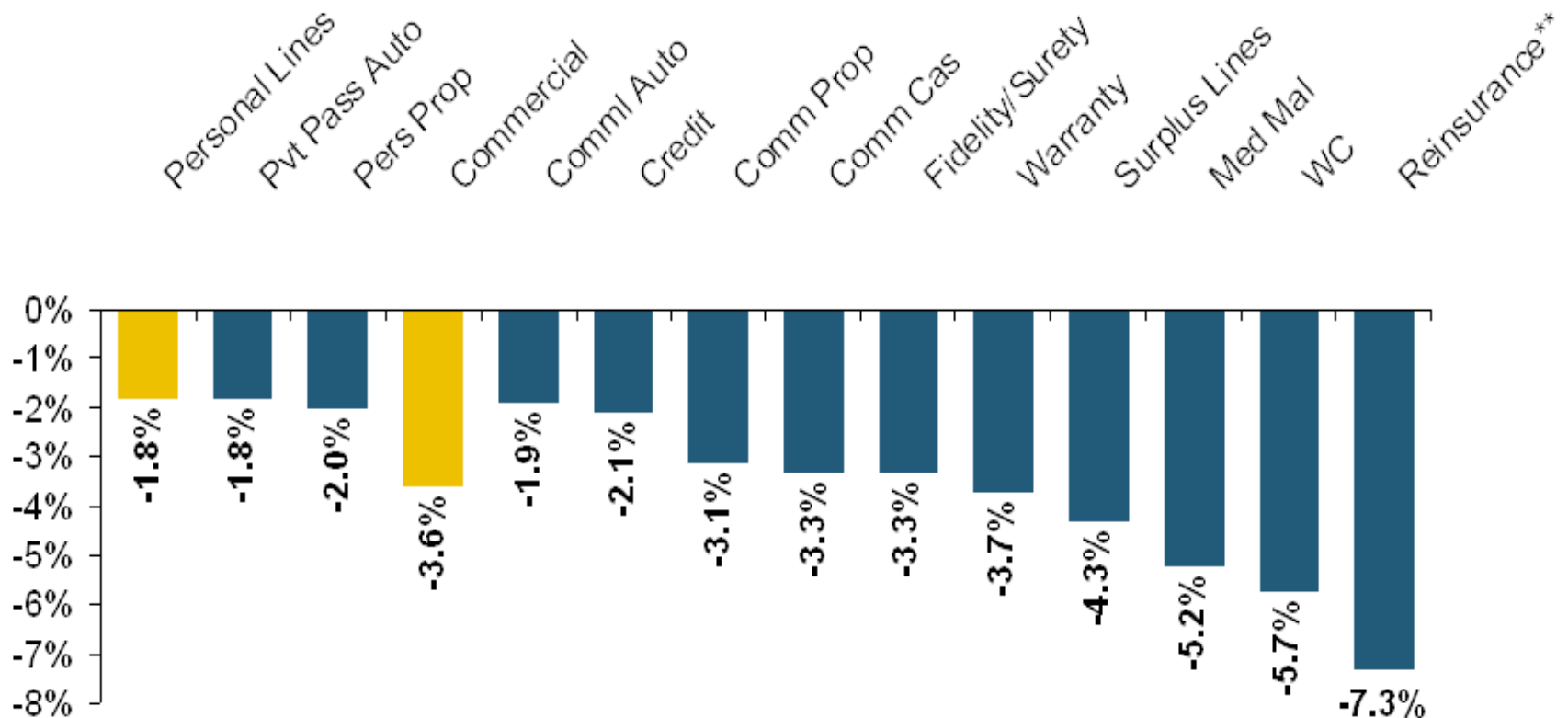
## ALL POOLS-NET WRITTEN PREMIUM\* ALL POLICY YEARS COMBINED



\*Premium volume shown is net of uncollectible premium for all **states** and net of premium ceded for the cost of excess reinsurance for AK and NM. Source: National Council of Compensation Insurance, Inc.



# 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:

<b>Stock Price</b>	<b>\$63.90</b>
<b>52 week range</b>	<b>\$46.88 - \$64.97</b>
<b>Shares Outstanding</b>	<b>19.2 M</b>
<b>Market Cap</b>	<b>\$1.22 B</b>
<b>Book Value per Share</b>	<b>26.51</b>
<b>Price-to-Book</b>	<b>2.41</b>

Market data as of November 18, 2016; Financial data as of September 30, 2016



# Selected Balance Sheet Data

(in thousands)

	YTD 2016	2015	2014
Investments, Cash and cash equivalents	\$1,182,246	\$1,114,633	\$1,107,289
Amounts recoverable from reinsurers	102,815	91,077	85,888
Premiums receivable, net	200,987	185,364	178,917
Deferred income taxes	28,278	29,905	31,231
Deferred policy acquisition costs	20,363	20,412	19,649
Other Assets	65,489	60,654	34,246
Total Assets	1,600,178	1,502,045	1,457,220
Reserves for loss and loss adjustment expenses	736,276	718,033	687,602
Unearned premiums	175,773	167,983	168,576
Insurance-related assessments	35,875	32,329	29,315
Other Liabilities	142,511	129,719	124,579
Shareholders' equity	509,743	453,981	446,968
<b><u>Metrics</u></b>			
Book Value Per Share	\$26.51	\$23.73	\$23.65



# Income Statement

(in thousands)

	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>			
Gross premiums written	\$292,443	\$386,529	\$393,819
Ceded premiums written	(8,046)	(11,228)	(13,793)
Net premiums written	<u>\$284,397</u>	<u>\$375,301</u>	<u>\$380,026</u>
Net premiums earned	\$276,607	\$375,894	\$375,747
Net investment income	20,251	27,902	27,214
Net realized gains (losses) on investments	974	(2,494)	697
Fee and other income	272	(348)	361
Total revenues	<u>298,104</u>	<u>400,954</u>	<u>404,019</u>
<b>Expenses:</b>			
Loss and loss adjustment expenses incurred	146,413	214,573	244,916
Underwriting and other operating costs	63,459	84,113	84,963
Policyholder dividends	3,195	1,301	391
Total expenses	<u>213,067</u>	<u>299,987</u>	<u>330,270</u>
Income before taxes	85,037	100,967	73,749
Income tax expense	26,245	30,505	20,083
<b>Net income</b>	<u>\$58,792</u>	<u>\$70,462</u>	<u>\$53,666</u>

