

SAFETY INSURANCE GROUP INC

Form 10-Q

November 07, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from to

Commission File Number: 000-50070

SAFETY INSURANCE GROUP, INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

13-4181699

(I.R.S. Employer Identification No.)

20 Custom House Street, Boston, Massachusetts 02110

(Address of principal executive offices including zip code)

(617) 951-0600

(Registrant's telephone number, including area code)

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 is large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 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 November 3, 2008, there were 16,309,825 shares of common stock with a par value of \$0.01 per share outstanding.

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	September 30, 2008	December 31, 2007
Assets		
Investment securities available for sale:		
Fixed maturities, at fair value (amortized cost: \$956,529 and \$995,360)	\$ 938,064	\$ 1,002,028
Equity securities, at fair value (cost: \$8,688 and \$6,794)	8,315	6,977
Total investment securities	946,379	1,009,005
Cash and cash equivalents	107,782	46,311
Accounts receivable, net of allowance for doubtful accounts	156,811	156,343
Accrued investment income	10,345	10,972
Receivable from reinsurers related to paid loss and loss adjustment expenses	13,571	13,047
Receivable from reinsurers related to unpaid loss and loss adjustment expenses	77,805	84,290
Ceded unearned premiums	24,005	28,818
Deferred policy acquisition costs	51,377	48,652
Deferred income taxes	24,359	13,388
Equity and deposits in pools	35,406	26,235
Other assets	14,429	9,931
Total assets	\$ 1,462,269	\$ 1,446,992
Liabilities		
Loss and loss adjustment expense reserves	\$ 464,191	\$ 477,720
Unearned premium reserves	321,889	320,545
Accounts payable and accrued liabilities	38,043	50,023
Taxes payable	671	120
Payable to reinsurers	26,032	10,662
Other liabilities	16,812	17,922
Total liabilities	867,638	876,992
Commitments and contingencies (Note 7)		
Shareholders equity		
Common stock: \$0.01 par value; 30,000,000 shares authorized; 16,460,530 and 16,242,213 shares issued	165	162
Additional paid-in capital	139,177	134,224
Accumulated other comprehensive (loss) income, net of taxes	(12,245)	4,453
Retained earnings	471,563	432,746
Treasury stock, at cost; 122,324 and 48,124 shares	(4,029)	(1,585)
Total shareholders equity	594,631	570,000
Total liabilities and shareholders equity	\$ 1,462,269	\$ 1,446,992

The accompanying notes are an integral part of these financial statements.

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Safety Insurance Group, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

(Dollars in thousands, except per share and share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net earned premiums	\$ 141,251	\$ 152,617	\$ 439,001	\$ 460,132
Net investment income	11,710	10,984	34,445	32,803
Net realized (losses) gains on investments	(1,047)	104	1,056	13