

AMERISAFE INC
Form 10-Q
May 04, 2010
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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 MARCH 31, 2010

Commission file number:

000-51520

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 April 30, 2010, there were 18,839,912 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:

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;

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;

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

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

the cyclical nature of the workers' compensation insurance industry;

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;

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

changes in rating agency policies or practices;

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, 2009. 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)

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Investments:		
Fixed maturity securities held-to-maturity, at amortized cost (fair value \$689,707 and \$678,905 in 2010 and 2009, respectively)	\$ 671,806	\$ 666,418
Equity securities available-for-sale, at fair value (cost \$3,122 and \$14,424 in 2010 and 2009, respectively)	2,920	16,571
Short-term investments	60,551	54,308
Total investments	735,277	737,297
Cash and cash equivalents	64,261	63,188
Amounts recoverable from reinsurers	86,318	81,878
Premiums receivable, net	157,251	151,570
Deferred income taxes	29,661	28,489
Accrued interest receivable	8,011	7,165
Property and equipment, net	5,666	5,369
Deferred policy acquisition costs	18,366	18,128
Deferred charges	3,109	3,030
Federal income tax recoverable	3,488	7,215
Other assets	15,751	15,480
	\$ 1,127,159	\$ 1,118,809
Liabilities and shareholders equity		
Liabilities:		
Reserves for loss and loss adjustment expenses	\$ 535,644	\$ 534,655
Unearned premiums	123,893	122,500
Reinsurance premiums payable	1,283	
Amounts held for others	14,645	14,915
Policyholder deposits	40,420	40,857
Insurance-related assessments	40,580	40,072
Securities payable	1,179	2,979
Accounts payable and other liabilities	22,822	24,324
Subordinated debt securities	36,090	36,090
	816,556	816,392
Shareholders equity:		
Common stock:		
Voting \$0.01 par value authorized shares 50,000,000 in 2010 and 2009; issued and outstanding shares 18,911,142 in 2010 and 18,895,246 in 2009	189	189
Additional paid-in capital	177,255	176,868

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Accumulated earnings	133,909	122,632
Accumulated other comprehensive income	385	2,728
Treasury stock at cost (70,039 shares in 2010 and none in 2009)	(1,135)	
	310,603	302,417
	\$ 1,127,159	\$ 1,118,809

See accompanying notes.

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AMERISAFE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended March 31,	
	2010	2009
Revenues		
Gross premiums written	\$ 61,091	\$ 79,429
Ceded premiums written	(4,639)	(5,194)
Net premiums written	\$ 56,452	\$ 74,235
Net premiums earned	\$ 55,058	\$ 70,001
Net investment income	6,540	7,372
Net realized gains on investments	2,552	26
Fee and other income	232	136
Total revenues	64,382	77,535
Expenses		
Loss and loss adjustment expenses incurred	37,627	47,070
Underwriting and certain other operating costs	3,283	4,339
Commissions	3,999	5,417
Salaries and benefits	5,215	5,012
Interest expense	375	611
Policyholder dividends	264	181
Total expenses	50,763	62,630
Income before income taxes	13,619	14,905
Income tax expense	2,342	3,843
Net income	11,277	11,062
Net income available to common shareholders	\$ 11,277	\$ 11,062
Earnings per share		
Basic	\$ 0.60	\$ 0.55
Diluted	\$ 0.58	\$ 0.54
Shares used in computing earnings per share		
Basic	18,888,356	18,845,081
Diluted	19,320,655	19,234,910

See accompanying notes.

Table of Contents**AMERISAFE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Three Months Ended March 31,	
	2010	2009
Operating Activities		
Net income	\$ 11,277	\$ 11,062
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	257	311
Net amortization of investments	1,131	818
Deferred income taxes	(1,066)	549
Net realized (gains) on investments	(2,552)	(26)
Loss on sale of fixed assets		1
Share-based compensation	222	66
Changes in operating assets and liabilities:		
Premiums receivable	(5,681)	(14,473)
Accrued interest receivable	(846)	(1,013)
Deferred policy acquisition costs and deferred charges	(317)	(68)
Other assets	3,456	(324)
Reserves for loss and loss adjustment expenses	989	13,765
Unearned premiums	1,393	4,234
Reinsurance balances	(3,157)	(8,762)
Amounts held for others and policyholder deposits	(707)	(319)
Accounts payable and other liabilities	(2,793)	7,538
Net cash provided by operating activities	1,606	13,359
Investing Activities		
Purchases of investments held-to-maturity	(17,505)	(41,402)
Purchases of short-term investments	(20,850)	(3,501)
Proceeds from maturities of investments held-to-maturity	10,966	29,186
Proceeds from sales and maturities of short-term investments	14,532	
Proceeds from sales and maturities of investments available-for-sale	13,849	
Purchases of property and equipment	(555)	(444)
Net cash provided by/(used in) investing activities	437	(16,161)
Financing Activities		
Proceeds from stock option exercises	139	36
Tax benefit from share-based payments	26	
Treasury shares purchased	(1,135)	
Net cash (used in)/provided by financing activities	(970)	36
Change in cash and cash equivalents	1,073	(2,766)
Cash and cash equivalents at beginning of period	63,188	95,241
Cash and cash equivalents at end of period	\$ 64,261	\$ 92,475

See accompanying notes.

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AMERISAFE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1. Basis of Presentation

AMERISAFE, Inc. (the Company) is an insurance holding company incorporated in the state of Texas. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries: American Interstate Insurance Company (AIIC), Silver Oak Casualty, Inc. (SOCI), American Interstate Insurance Company of Texas (AIICTX), Amerisafe Risk Services, Inc. (RISK) and Amerisafe General Agency, Inc. (AGAI). AIIC and SOCI are property and casualty insurance companies organized under the laws of the state of Louisiana. AIICTX is a property and casualty insurance company organized under the laws of the state of Texas. RISK, a wholly owned subsidiary of the Company, is a claims and safety services company, currently servicing only affiliate insurance companies. AGAI, a wholly owned subsidiary of the Company, is a general agent for the Company. AGAI sells insurance, which is underwritten by AIIC, SOCI and AIICTX, as well as by nonaffiliated insurance carriers. The assets and operations of AGAI are not significant to that of the Company and its consolidated subsidiaries. The terms AMERISAFE, the Company, we, us or our refer to AMERISAFE, Inc. and its consolidated subsidiaries in the context requires.

The Company provides workers compensation and general liability insurance for small to mid-sized employers engaged in hazardous industries, principally construction, trucking and agriculture. Assets and revenues of AIIC represent more than 99% of comparable consolidated amounts of the Company for each of 2010 and 2009.

In the opinion of the management of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, the results of operations and cash flows for the periods presented. The unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934 and therefore do not include all information and footnotes to be in conformity with accounting principles generally accepted in the United States (GAAP). The results for the interim periods are not necessarily indicative of the results of operations that may be expected for the year. The unaudited condensed consolidated financial statements contained herein should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Stock Options and Restricted Stock

In connection with the initial public offering of shares of the Company's common stock in November 2005, the Company's shareholders approved the AMERISAFE 2005 Equity Incentive Plan (the 2005 Incentive Plan) and the AMERISAFE 2005 Non-Employee Director Restricted Stock Plan (the 2005 Restricted Stock Plan). See Note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 for additional information regarding the Company's incentive plans.

During the three months ended March 31, 2010, there were 15,480 stock options exercised. Related to these exercises, the Company received \$139,000 of stock option proceeds. During the three months ended March 31, 2009, there were 4,000 stock options exercised. Related to these exercises, the Company received \$36,000 of stock option proceeds.

The Company recognized share-based compensation expense of \$222,000 in the quarter ended March 31, 2010, compared to \$66,000 for the same period in 2009.

Note 3. Earnings Per Share

We compute earnings per share in accordance with FASB ASC Topic 260, Earnings Per Share. Additionally, we apply the two-class method in computing basic and diluted earnings per share. ASC Topic 260 clarifies that invested share-based payment awards with a right to receive nonforfeitable dividends are participating securities.

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Under the two-class method, net income is allocated between common stock and any securities other than common stock that are eligible to participate in dividends with common stock. Our redeemable preferred stock and unvested restricted stock qualifies as participating securities under ASC Topic 260 in 2009. With redemption of the Series C and D preferred shares, the two-class method is not required in 2010 for redeemable preferred stock.

The two-class method allocates net income available to common shareholders and participating securities to the extent that each security shares in earnings as if all earnings for the period had been distributed. The amount of earnings allocable to common shareholders is divided by the weighted-average number of common shares outstanding for the period. Participating securities that are convertible into common stock are included in the computation of basic earnings per share if the effect is dilutive.

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AMERISAFE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Diluted earnings per share includes potential common shares assumed issued under the treasury stock method, which reflects the potential dilution that would occur if any outstanding options are exercised. Diluted earnings per share also includes the if converted method for participating securities if the effect is dilutive. The two-class method of calculating diluted earnings per share is used whether the if converted result is dilutive or anti-dilutive.

	Three Months Ended March 31,	
	2010	2009
	(in thousands, except per share amounts)	
Basic EPS:		
Net income available to common shareholders	\$ 11,277	\$ 11,062
Portion allocable to common shareholders	100.0%	94.1%
Net income allocable to common shareholders	\$ 11,277	\$ 10,405
Basic weighted average common shares	18,888,356	18,845,081
Basic earnings per common share	\$ 0.60	\$ 0.55
Diluted EPS:		
Net income allocable to common shareholders	\$ 11,277	\$ 10,405
Diluted weighted average common shares:		
Weighted average common shares	18,888,356	18,845,081
Stock options	428,177	380,100
Restricted stock	4,122	9,729
Diluted weighted average common shares	19,320,655	19,234,910
Diluted earnings per common share	\$ 0.58	\$ 0.54

Table of Contents**AMERISAFE, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)**

The table below sets forth the calculation of the percentage of net income allocable to common shareholders, or the portion allocable to common shareholders. Under the two-class method, unvested stock options, and out-of-the-money vested stock options are not considered to be participating securities.

	Three Months Ended March 31,	
	2010	2009
Numerator:		
Basic weighted average common shares	18,888,356	18,845,081
Add: Other common shares eligible for common dividends:		
Weighted average restricted shares and stock options (including tax benefit component)	432,299	389,829
Weighted average participating common shares	19,320,655	19,234,910
Denominator:		
Weighted average participating common shares	19,320,655	19,234,910
Add: Other classes of securities, including contingently issuable common shares and convertible preferred shares:		
Weighted average common shares issuable upon conversion of Series C preferred shares		242,953
Weighted average common shares issuable upon conversion of Series D preferred shares		971,817
Weighted average participating shares	19,320,655	20,449,680
Portion allocable to common shareholders	100.0%	94.1%

Note 4. Investments

The gross unrealized gains and losses on, and the cost and fair value of, those investments classified as held-to-maturity at March 31, 2010 are summarized as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Fixed maturity securities:				
States and political subdivisions	\$ 479,419	\$ 15,472	\$ (1,586)	\$ 493,305
U.S. agency-based mortgage-backed securities	75,670	3,965	(77)	79,558
Commercial mortgage-backed securities	51,586	189	(556)	51,219
U.S. Treasury securities and obligations of U.S. Government agencies	15,305	747	(1)	16,051
Corporate bonds	42,131	1,288	(26)	43,393
Asset-backed securities	6,945		(1,514)	5,431
Long-term certificates of deposit	750			750
Total fixed maturity securities	\$ 671,806	\$ 21,661	\$ (3,760)	\$ 689,707

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The gross unrealized gains and losses on, and the cost and fair value of, those investments classified as available-for-sale at March 31, 2010 are summarized as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Equity securities	\$ 3,122	\$	\$ (202)	\$ 2,920

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A summary of the cost or amortized cost and fair value of investments in fixed maturity securities, classified as held-to-maturity at March 31, 2010, by contractual maturity, is as follows:

Remaining Time to Maturity	Carrying Value	Fair Value
	(In thousands)	
Less than one year	\$ 46,297	\$ 46,974
One to five years	221,640	227,962
Five to ten years	133,278	139,167
More than ten years	136,390	139,396
U.S. agency-based mortgage-backed securities	75,670	79,558
Commercial mortgage-backed securities	51,586	51,219
Asset-backed securities	6,945	5,431
Total	\$ 671,806	\$ 689,707

The following table summarizes, as of March 31, 2010, the fair value of, and the amount of unrealized losses on, our investment securities, segregated by the time period each security has been in a continuous unrealized loss position:

	Less Than 12 Months		As of March 31, 2010 12 Months or Greater		Total	
	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses
	(in thousands)					
Fixed maturity securities:						
States and political subdivisions	\$ 30,076	\$ 433	\$ 23,897	\$ 1,153	\$ 53,973	\$ 1,586
U.S. agency-based mortgage-backed securities	6,169	77			6,169	77
Commercial mortgage-backed securities			28,170	556	28,170	556
U.S. Treasury securities and obligations of U.S. Government agencies	1,798	1			1,798	1
Corporate bonds	7,781	17	1,491	9	9,272	26
Asset-backed securities			5,431	1,514	5,431	1,514
Total fixed maturity securities	45,824	528	58,989	3,232	104,813	3,760
Equity securities			1,830	202	1,830	202
Total	\$ 45,824	\$ 528	\$ 60,819	\$ 3,434	\$ 106,643	\$ 3,962

We regularly review our investment portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of our investments. We consider various factors in determining if a decline in the fair value of an individual security is

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other-than-temporary. The key factors we consider are:

any reduction or elimination of dividends, or nonpayment of scheduled principal or interest payments;

the financial condition and near-term prospects of the issuer of the applicable security, including any specific events that may affect its operations or earnings;

how long and by how much the fair value of the security has been below its cost or amortized cost;

any downgrades of the security by a rating agency;

our intent not to sell the security for a sufficient time period for it to recover its value;

the likelihood of being forced to sell the security before the recovery of its value; and

an evaluation as to whether there are any credit losses on debt securities.

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AMERISAFE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

We reviewed all securities with unrealized losses in accordance with the impairment policy described above. We determined that the unrealized losses in the fixed maturity securities portfolio related primarily to changes in market interest rates since the date of purchase, current conditions in the capital markets and the impact of those conditions on market liquidity and prices generally, and the transfer of the investments from the available-for-sale classification to the held-to-maturity classification in January 2004. We expect to recover the carrying value of these securities since management does not intend to sell the securities and it is not more likely than not that we will be required to sell the security before the recovery of its amortized cost basis. In addition, none of the unrealized losses on debt securities are considered credit losses.

In April 2009, the FASB issued guidance, now codified as FASB ASC Topic 320, Investments-Debt and Equity Securities, to address concerns regarding recognition and presentation of other-than-temporary impairments. The pronouncement was effective for interim and annual periods ending after June 15, 2009. For debt securities, the amount of other-than-temporary impairment related to a credit loss or impairments on securities is recognized in earnings and reflected as a reduction in the cost basis of the security. The amount of the other-than-temporary impairment on debt securities related to other factors is recorded as a component of stockholders' equity in other comprehensive income or loss with no change to the cost basis of the security. For equity securities, the amount of the other-than-temporary impairment due to the extent and duration that fair values are below cost is recognized in earnings and reflected as a reduction in the cost basis of the security. The adoption of ASC Topic 320 did not have a material impact on the Company's consolidated financial condition or results of operations.

Note 5. Income Taxes

In accordance with FASB ASC Topic 740, Income Taxes, we provide for the recognition and measurement of deferred income tax benefits based on the likelihood of their realization in future years. As of March 31, 2010, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. There were no uncertain tax positions for the quarters ended March 31, 2010 and 2009.

Tax years 2006 through 2009 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Note 6. Comprehensive Income

Comprehensive income was \$8.9 million for the three months ended March 31, 2010, as compared to \$8.7 million for the three months ended March 31, 2009. The difference between net income as reported and comprehensive income was due to changes in unrealized gains and losses, net of tax.

Note 7. Fair Value Measurements

Effective January 1, 2008, the Company adopted FASB ASC Topic 820, Fair Value Measurements and Disclosures, for financial assets and liabilities, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Effective January 1, 2009, the Company adopted the provisions of ASC Topic 820 for all non-financial assets and non-financial liabilities.

The Company determined the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard defines fair value, describes three levels of inputs that may be used to measure fair value, and expands disclosures about fair value measurements.

Fair value is defined in ASC Topic 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is the price to sell an asset or transfer a liability and, therefore, represents an

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exit price, not an entry price. Fair value is the exit price in the principal market (or, if lacking a principal market, the most advantageous market) in which the reporting entity would transact. Fair value is a market-based measurement, not an entity-specific measurement, and, as such, is determined based on the assumptions that market participants would use in pricing the asset or liability. The exit price objective of a fair value measurement applies regardless of the reporting entity's intent and/or ability to sell the asset or transfer the liability at the measurement date.

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ASC Topic 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present value amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset, also known as current replacement cost. Valuation techniques used to measure fair value are to be consistently applied.

In ASC Topic 820, inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable:

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Valuation techniques used to measure fair value are intended to maximize the use of observable inputs and minimize the use of unobservable inputs. ASC Topic 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are to be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters.

Securities classified by the Company as available-for-sale investments were reported at fair value utilizing mostly Level 1 inputs. The fair value measurements consider quoted prices in active markets for identical assets. Level 2 inputs such as previous day and subsequent day trade prices were used if a trade for the security was not made on the date of measurement.

At March 31, 2010, assets and liabilities measured at fair value on a recurring basis are summarized below:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs (in thousands)	Total Fair Value
Securities available for sale	\$ 1,830	\$	\$	\$ 1,830

In addition, the Company held common securities in unconsolidated variable interest entities of \$1,090,000, which are carried at cost.

At March 31, 2010, all fixed maturity securities were classified as held-to-maturity and carried at amortized cost.

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In February 2007, the FASB issued guidance, now codified as FASB ASC Topic 825, Financial Instruments, which permits entities to choose to measure many financial instruments and certain other items at fair value, and establishes presentation and disclosure requirements for similar assets and liabilities measured at fair value. ASC Topic 825 is effective for fiscal years beginning after November 15, 2007. The Company did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008, the effective date of the standard, and has not elected the option for any financial assets or financial liabilities subsequent to the effective date.

In April 2009, the FASB issued additional guidance, now codified as FASB ASC Topic 825, Financial Instruments, extending the disclosure requirements regarding the fair value of financial instruments to interim financial statements of publicly traded companies. These requirements were effective for interim reporting periods ending after June 15, 2009.

Table of Contents**AMERISAFE, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)**

The Company determines fair value amounts for financial instruments using available third-party market information. When such information is not available, the Company determines the fair value amounts using appropriate valuation methodologies. Nonfinancial instruments such as real estate, property and equipment, deferred policy acquisition costs, deferred income taxes and loss and loss adjustment expense reserves are excluded from the fair value disclosure.

Cash and Cash Equivalents The carrying amounts reported in the accompanying consolidated balance sheets for these financial instruments approximate their fair values.

Investments The fair values for fixed maturity and equity securities are based on prices obtained from a third-party investment manager.

Short-term Investments The carrying amounts reported in the accompanying consolidated balance sheets for these financial instruments approximate their fair values.

Subordinated Debt Securities The carrying value of the Company's subordinated debt securities approximates the estimated fair value of the obligations as the interest rates on these securities are comparable to rates that the Company believes it presently would incur on comparable borrowings.

The following table summarizes the carrying or reported values and corresponding fair values for financial instruments:

	As of March 31, 2010		As of December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
Assets:				
Fixed maturity securities	\$ 671,806	\$ 689,707	\$ 666,418	\$ 678,905
Equity securities	2,920	2,920	16,571	16,571
Cash and cash equivalents	64,261	64,261	63,188	63,188
Short-term Investments	60,551	60,551	54,308	54,308
Liabilities:				
Subordinated debt securities:				
ACT I	10,310	10,310	10,310	10,310
ACT II	25,780	25,780	25,780	25,780

Note 8. Treasury Stock

In March 2010, the Company announced that its Board of Directors had approved a share repurchase program of its common stock. The program has an authorized limit of up to \$25 million and, unless extended, expires on December 31, 2010. During the quarter ended March 31, 2010, 70,039 shares were purchased for \$1.1 million, or an average price (including commissions) of \$16.20 per share.

Note 9. Variable Interest Entities

In 2003, the Company formed Amerisafe Capital Trust I (ACT I) for the sole purpose of issuing \$10,000,000 in trust preferred securities. ACT I used the proceeds from the sale of these securities and the Company's initial capital contribution to purchase \$10,310,000 of subordinated debt securities from the Company. The debt securities are the sole assets of ACT I, and the payments under the debt securities are the sole revenues of ACT I.

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In 2004, the Company formed Amerisafe Capital Trust II (ACT II) for the sole purpose of issuing \$25,000,000 in trust preferred securities. ACT II used the proceeds from the sale of these securities and the Company's initial capital contribution to purchase \$25,780,000 of subordinated debt securities from the Company. The debt securities are the sole assets of ACT II, and the payments under the debt securities are the sole revenues of ACT II.

The Company concluded that the equity investments in ACT I and ACT II (collectively, the Trusts) are not at risk since the subordinated debt securities issued by the Company are the Trusts' sole assets. Accordingly, the Trusts are considered variable interest entities. The Company is not considered to be the primary beneficiary of the Trusts and has not consolidated these entities.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes included in Item 1 of this Quarterly Report on Form 10-Q, together with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2009.

We begin our discussion with an overview of our Company to give you an understanding of our business and the markets we serve. We then discuss our critical accounting policies. This is followed with a discussion of our results of operations for the three months ended March 31, 2010 and 2009. This discussion includes an analysis of certain significant period-to-period variances in our consolidated statements of operations. Our cash flows and financial condition are discussed under the caption Liquidity and Capital Resources.

Business Overview

AMERISAFE is a holding company that markets and underwrites workers' compensation insurance through its insurance subsidiaries. Workers' compensation insurance covers statutorily prescribed benefits that employers are obligated to provide to their employees who are injured in the course and scope of their employment. Our business strategy is focused on providing this coverage to small to mid-sized employers engaged in hazardous industries, principally construction, trucking and agriculture. Employers engaged in hazardous industries pay substantially higher than average rates for workers' compensation insurance compared to employers in other industries, as measured per payroll dollar. The higher premium rates are due to the nature of the work performed and the inherent workplace danger of our target employers. Hazardous industry employers also tend to have less frequent but more severe claims as compared to employers in other industries due to the nature of their businesses. We provide proactive safety reviews of employers' workplaces. These safety reviews are a vital component of our underwriting process and also promote safer workplaces. We utilize intensive claims management practices that we believe permit us to reduce the overall cost of our claims. In addition, our audit services ensure that our policyholders pay the appropriate premiums required under the terms of their policies and enable us to monitor payroll patterns or aberrations that cause underwriting, safety or fraud concerns. We believe that the higher premiums typically paid by our policyholders, together with our disciplined underwriting and safety, claims and audit services, provide us with the opportunity to earn attractive returns for our shareholders.

We actively market our insurance in 30 states and the District of Columbia through independent agencies, as well as through our wholly owned insurance agency subsidiary. We are also licensed in an additional 17 states and the U.S. Virgin Islands.

Critical Accounting Policies

It is important to understand our accounting policies in order to understand our financial statements. Management considers some of these policies to be critically important to the presentation of our financial results because they require us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of our assets, liabilities, revenues and expenses and the related disclosures. Some of the estimates result from judgments that can be subjective and complex and, consequently, actual results in future periods might differ from these estimates.

Management believes that the most critical accounting policies relate to the reporting of reserves for loss and loss adjustment expenses, including losses that have occurred but have not been reported prior to the reporting date, amounts recoverable from reinsurers, assessments, deferred policy acquisition costs, deferred income taxes, the impairment of investment securities and share-based compensation. These critical accounting policies are more fully described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of Part II to our Annual Report on Form 10-K for the year ended December 31, 2009.

Table of Contents**Results of Operations**

The following table summarizes our consolidated financial results for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31,	
	2010	2009
(dollars in thousands,		
except per share data)		
(unaudited)		
Gross premiums written	\$ 61,091	\$ 79,429
Net premiums earned	55,058	70,001
Net investment income	6,540	7,372
Total revenues	64,382	77,535
Total expenses	50,763	62,630
Net income	11,277	11,062
Diluted earnings per common share	\$ 0.58	\$ 0.54
Other Key Measures		
Net combined ratio (1)	91.5%	88.6%
Return on average equity (2)	14.7%	15.7%
Book value per share (3)	\$ 16.49	\$ 14.30

- (1) The net combined ratio is calculated by dividing the sum of loss and loss adjustment expenses incurred, underwriting and certain other operating costs, commissions, salaries and benefits, and policyholder dividends by the current period's net premiums earned.
- (2) Return on average equity is calculated by dividing the annualized net income by the average shareholders' equity, including redeemable preferred stock, for the applicable period. On December 31, 2009, the Company redeemed all outstanding shares of its Series C and D redeemable preferred stock for \$25.9 million.
- (3) Book value per share is calculated by dividing shareholders' equity, including redeemable preferred stock, by total outstanding shares.

Consolidated Results of Operations for Three Months Ended March 31, 2010 Compared to March 31, 2009

Gross Premiums Written. Gross premiums written for the quarter ended March 31, 2010 were \$61.1 million, compared to \$79.4 million for the same period in 2009, a decrease of 23.1%. The decrease was attributable to an \$11.5 million decrease in annual premiums on voluntary policies written during the period, a \$6.6 million decrease in premiums resulting from payroll audits and related premium adjustments for policies written in previous quarters and a \$0.2 million decrease in assumed premiums from mandatory pooling arrangements. The decrease from payroll audits and related premium adjustments includes a \$1.2 million decrease in earned but unbilled (EBUB) premium.

Net Premiums Written. Net premiums written for the quarter ended March 31, 2010 were \$56.5 million, compared to \$74.2 million for the same period in 2009, a decrease of 24.0%. The decrease was primarily attributable to the decline in gross premiums written. As a percentage of gross premiums earned, ceded premiums were 7.8% for the first quarter of 2010, compared to 6.9% for the first quarter of 2009.

Net Premiums Earned. Net premiums earned for the first quarter of 2010 were \$55.1 million, compared to \$70.0 million for the same period in 2009, a decrease of 21.3%. The decrease was attributable to the decline in net premiums written in the previous four quarters.

Net Investment Income. Net investment income for the first quarter of 2010 was \$6.5 million, compared to \$7.4 million for the same period in 2009, a decrease of 11.3%. Average invested assets, including cash and cash equivalents, were \$799.5 million in the quarter ended March 31, 2010, compared to an average of \$808.0 million for the same period in 2009, a decrease of 1.1%. The pre-tax investment yield on our investment portfolio was 3.3% per annum during the quarter ended March 31, 2010, compared to 3.7% per annum for the first quarter of 2009. The tax-equivalent yield on our investment portfolio was 4.7% per annum for the quarter ended March 31, 2010, compared to 5.1% per annum for the same period in 2009. The tax-equivalent yield is calculated using the effective interest rate and a 35% marginal tax rate.

Net Realized Gains (Losses) on Investments. Net realized gains on investments for the three months ended March 31, 2010 totaled \$2.6 million. Net realized gains in the first quarter of 2010 primarily resulted from \$2.5 million in gains from the sale of certain equity securities. There were

minimal net realized gains in the first quarter of 2009 resulting from called fixed maturity securities.

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Loss and Loss Adjustment Expenses Incurred. Loss and loss adjustment expenses (LAE) incurred totaled \$37.6 million for the three months ended March 31, 2010, compared to \$47.1 million for the same period in 2009, a decrease of \$9.4 million, or 20.1%. The current accident year losses and LAE incurred were \$39.9 million, or 72.5% of net premiums earned, compared to \$48.3 million for the first quarter of 2009. We recorded favorable prior accident year development of \$2.3 million in the first quarter of 2010, compared to \$1.2 million in the same period of 2009, as further discussed below in Prior Year Development. Our net loss ratio was 68.3% in the first quarter of 2010, compared to 67.2% in the same period of 2009.

Underwriting and Certain Other Operating Costs, Commissions and Salaries and Benefits. Underwriting and certain other operating costs, commissions and salaries and benefits for the quarter ended March 31, 2010 were \$12.5 million, compared to \$14.8 million for the same period in 2009, a decrease of 15.4%. This decrease was primarily due to a \$1.4 million decrease in commission expense, a \$1.2 million decrease in insurance-related assessments, a \$0.4 million decrease in premium taxes and a \$0.2 million decrease in legal and professional expenses. Offsetting these expense reductions were a \$0.4 million decrease in experience-rated commissions from our 2009 reinsurance agreement and a \$0.3 million decrease in income from the commutation of certain reinsurance contracts. Salaries and benefits increased \$0.2 million in the first quarter of 2010 as compared to the same period in 2009. Our expense ratio was 22.7% in the first quarter of 2010 compared to 21.1% in the first quarter of 2009.

Interest expense. Interest expense for the first quarter of 2010 was \$0.4 million, compared to \$0.6 million for the same period in 2009. Weighted average borrowings for both periods were \$36.1 million, however the weighted average interest rate decreased to 4.1% per annum for the first quarter of 2010 from 5.5% per annum for the first quarter of 2009.

Income tax expense. Income tax expense for the three months ended March 31, 2010 was \$2.3 million, compared to \$3.8 million for the same period in 2009. The decrease was primarily attributable to a decrease in our effective tax rate to 17.2% for the quarter ended March 31, 2010, compared to 25.8% for the same period in 2009. The effective rate for 2010 included a one-time reduction of \$0.9 million for the change in valuation allowance for deferred tax assets. The securities sold in the first quarter of 2010 were impaired in the fourth quarter of 2008. At the time of impairment, tax expense was increased to establish a valuation allowance for deferred taxes. In the first quarter of 2010, the allowance was reduced, thereby tax expense was reduced. Pre-tax income decreased to \$13.6 million for the three months ended March 31, 2010, compared to \$14.9 million for the same period in 2009.

Liquidity and Capital Resources

Our principal sources of operating funds are premiums, investment income and proceeds from sales and maturities of investments. Our primary uses of operating funds include payments of claims and operating expenses. Currently, we pay claims using cash flow from operations and invest our excess cash in fixed maturity and equity securities.

Net cash provided by operating activities was \$1.6 million for the three months ended March 31, 2010, which represented an \$11.8 million decrease from \$13.4 million in net cash provided by operating activities for the three months ended March 31, 2009. This decrease in operating cash was attributable to a \$9.8 million decrease in premiums collected, a \$5.5 million increase in expense disbursements, a \$1.3 million increase in policyholder dividends paid and a \$0.4 million decrease in net investment income. Offsetting these decreases in operating cash flow were a \$2.8 million decrease in federal income taxes paid, a \$1.5 million increase in reinsurance recoveries and a \$0.6 million decrease in losses paid.

Net cash provided by investing activities was \$0.4 million for the three months ended March 31, 2010, compared to net cash used in investing activities of \$16.2 million for the same period in 2009. Cash provided by sales and maturities of investments totaled \$39.3 million for the three months ended March 31, 2010, compared to \$29.2 million for the same period in 2009. A total of \$38.4 million in cash was used to purchase investments in the three months ended March 31, 2010, compared to \$44.9 million in purchases for the same period in 2009.

Net cash used in financing activities in the three months ended March 31, 2010 was \$1.0 million. In the three months ended March, 31, 2010, repurchases of outstanding shares of our common stock totaled \$1.1 million and proceeds from stock option exercises totaled \$0.1 million. In the three months ended March 31, 2009, proceeds from stock option exercises were minimal.

In March 2010, the Company announced that its Board of Directors had approved a stock repurchase program. The program has an authorized limit of up to \$25.0 million and, unless extended, expires on December 31, 2010. As of March 31, 2010, the Company had repurchased a total of 70,039 shares of its outstanding common stock for \$1.1 million under the program. The Company may repurchase up to an additional \$23.9 million under the program.

Investment Portfolio

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As of March 31, 2010, our investment portfolio, including cash and cash equivalents, totaled \$799.5 million, a decrease of 1.1% from March 31, 2009. Our fixed maturity securities were classified as held-to-maturity, as defined by FASB ASC Topic 320, Investments-Debt and Equity Securities. As such, the reported value of those securities was equal to their amortized cost, and was not impacted by changing interest rates. Our equity securities were classified as available-for-sale and reported at fair value.

Effective April 1, 2010, purchases of fixed maturity securities may be classified as available-for-sale or held-to-maturity based on the individual security. Such classification will be made at the time of purchase.

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On January 1, 2008, we adopted FASB ASC Topic 820 that establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. As disclosed in Note 7 of the financial statements, our securities available-for-sale are classified using Level 1 inputs. We did not elect the fair value option prescribed under FASB ASC Topic 825 for any financial assets or financial liabilities as of March 31, 2010.

The composition of our investment portfolio, including cash and cash equivalents, as of March 31, 2010, is shown in the following table:

	Carrying Value	Percentage of Portfolio
	(in thousands)	
Fixed maturity securities:		
States and political subdivisions	\$ 479,419	60.0%
U.S. agency-based mortgage-backed securities	75,670	9.4%
Commercial mortgage-backed securities	51,586	6.4%
U.S. Treasury securities and obligations of U.S. Government agencies	15,305	1.9%
Corporate bonds	42,131	5.3%
Asset-backed securities	6,945	0.9%
Long-term certificates of deposit	750	0.1%
Total fixed maturity securities	671,806	84.0%
Equity securities	2,920	0.4%
Cash and cash equivalents	64,261	8.0%
Short-term investments	60,551	7.6%
Total investments, including cash and cash equivalents	\$ 799,538	100.0%

For our securities classified as available-for-sale, the securities are marked to market as of the end of each calendar quarter. As of that date, unrealized gains and losses are recorded against Accumulated Other Comprehensive Income, except when such securities are deemed to be other-than-temporarily impaired. For our securities classified as held-to-maturity, unrealized gains and losses are not recorded in the financial statements until realized or until a decline in fair value, below amortized cost, is deemed to be other-than-temporary.

In the first quarter of 2010, we sold certain equity securities classified as available-for-sale for which an other-than-temporary impairment had previously been recognized. The carrying value of these securities at disposal was \$11.3 million. Realized gains on the sale of these securities totaled \$2.5 million.

Prior Year Development

The Company recorded favorable prior accident year development of \$2.3 million in the three months ended March 31, 2010. The table below sets forth the favorable or unfavorable development for the three months ended March 31, 2010 for accident years 2005 through 2009 and, collectively, for all accident years prior to 2005.

Accident Year	Favorable/(Unfavorable) Development (in millions)
2009	\$ (0.4)
2008	(0.1)
2007	0.6
2006	0.7
2005	0.3
Prior to 2005	1.2

Total net development		\$	2.3
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The table below sets forth the number of open claims as of March 31, 2010 and 2009, and the number of claims reported and closed during the three months then ended.

	Three Months Ended March 31,	
	2010	2009
Open claims at beginning of period	4,511	4,793
Claims reported	1,214	1,258
Claims closed	(1,280)	(1,450)
Open claims at end of period	4,445	4,601

The number of open claims at March 31, 2010 decreased by 156 claims, or 3.4%, as compared to the number of open claims at March 31, 2009. The decline in the number of open claims is attributable, in part, to our increased efforts in recent periods to close prior year claims, especially in those circumstances where the claim could be settled for less than the corresponding case reserve amount (which amount represents the estimated ultimate cost to settle the claim, undiscounted). As a result of these efforts, the number of open claims decreased from March 31, 2009 to March 31, 2010, which management believes contributed, in part, to the favorable prior accident year development recorded for the three months ended March 31, 2010.

At March 31, 2010, our case incurred amounts for certain accident years, particularly 2004, 2006 and 2007, have not developed to the degree management previously expected. The assumptions we used in establishing our reserves for these accident years were based on our 24 years of historical claims data. However, as of March 31, 2010, actual results for certain accident years have been better than our assumptions would have predicted. We do not presently intend to modify our assumptions for establishing reserves in light of these recent results for the 2004, 2006 and 2007 accident years. However, if actual results for current and future accident years are consistent with, or better than, our results in these recent accident years, our historical claims data will reflect this change and, over time, will impact the reserves we establish for future claims.

Our reserves for loss and loss adjustment expenses are inherently uncertain and our focus on providing workers' compensation insurance to employers engaged in hazardous industries results in our receiving relatively fewer but more severe claims than many other workers' compensation insurance companies. As a result of this focus on higher severity, lower frequency business, our reserve for loss and loss adjustment expenses may have greater volatility than other workers' compensation insurance companies. For additional information, see *Business Loss Reserves* in our Annual Report on Form 10-K for the year ended December 31, 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the risk of potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk affecting us are credit risk, interest rate risk and equity price risk. We currently have no exposure to foreign currency risk.

Since December 31, 2009, there have been no material changes in the quantitative or qualitative aspect of our market risk profile. For additional information regarding the Company's exposure to certain market risks, see Item 7A, *Quantitative and Qualitative Disclosures About Market Risk* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Item 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the *Exchange Act*)) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information we are required to disclose in reports that are filed or submitted under the *Exchange Act* is recorded, processed, summarized and reported within the time periods specified in the rules and forms. We note that the design of any system of controls is based in part upon assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions.

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There have not been any changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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None.

Item 1A. Risk Factors.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table summarizes the Company's purchases of its common stock, par value \$0.01 per share, during the three months ended March 31, 2010:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
January 1, 2010 to January 31, 2010	0		0	
February 1, 2010 to February 28, 2010	0		0	
March 1, 2010 to March 31, 2010	70,039	\$ 16.20	70,039	\$ 23,900

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Reserved.**Item 5. Other Information.**

None.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification of C. Allen Bradley, Jr. filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of G. Janelle Frost filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of C. Allen Bradley, Jr. and G. Janelle Frost filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERISAFE, INC.

May 4, 2010

/s/ C. ALLEN BRADLEY, JR.
C. Allen Bradley, Jr.
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

May 4, 2010

/s/ G. JANELLE FROST
G. Janelle Frost
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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