AMERISAFE INC
Form 10-Q
April 29, 2016
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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, 2016**

**Commission file number:**

**001-12251**

**AMERISAFE, INC.**

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

| **Texas** | **75-2069407** |
|---|---|
| **(State of Incorporation)** | **(I.R.S. Employer** |

**Identification Number)**

**2301 Highway 190 West, DeRidder, Louisiana** **70634**
**(Address of Principal Executive Offices)** **(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 x 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 x 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 x | 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 x

As of April 25, 2016, there were 19,181,874 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, shoul 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:

- the cyclical nature of the workers compensation insurance industry;
- general economic conditions, including recession, inflation, performance of financial markets, interest rates, unemployment rates and fluctuating asset values;
- decreased demand for our insurance;
- 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;
- 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;
- technology breaches or failures, including those resulting from a malicious cyber attack on the Company or its policyholders and medical providers;
- adverse developments in economic, competitive, judicial or regulatory conditions within the workers compensation insurance industry;
- changes in regulations, laws, rates, or rating factors applicable to the Company, its policyholders or the agencies that sell its insurance;
- loss of the services of any of our senior management or other key employees;

changes in rating agency policies, practices or ratings;

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;

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

changes in legal theories of liability under our insurance policies;

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

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 the Company s 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, and under the caption Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015. 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.

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## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements.**

**AMERISAFE, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(in thousands, except share data)**

| | March 31, 2016 (unaudited) | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Fixed maturity securities held-to-maturity, at amortized cost (fair value $659,172 and $662,276 in 2016 and 2015, respectively) | $ 639,632 | $ 645,164 |
| Fixed maturity securities available-for-sale, at fair value (cost $408,364 and $376,109 in 2016 and 2015, respectively) | 416,568 | 380,022 |
| Equity securities available-for-sale, at fair value (cost $0 in 2016 and 2015) | 31 | 31 |
| Short-term investments | 11,713 | 7,718 |
| Other investments | 11,390 | 12,217 |
| Total investments | 1,079,334 | 1,045,152 |
| Cash and cash equivalents | 79,290 | 69,481 |
| Amounts recoverable from reinsurers | 92,429 | 91,077 |
| Premiums receivable, net of allowance | 197,185 | 185,364 |
| Deferred income taxes | 28,051 | 29,905 |
| Accrued interest receivable | 12,489 | 11,685 |
| Property and equipment, net | 5,988 | 6,181 |
| Deferred policy acquisition costs | 20,222 | 20,412 |
| Other assets | 42,572 | 42,788 |
| **Total assets** | $ 1,557,560 | $ 1,502,045 |
| **Liabilities and shareholders equity** | | |
| Liabilities: | | |
| Reserves for loss and loss adjustment expenses | $ 722,178 | $ 718,033 |
| Unearned premiums | 169,853 | 167,983 |
| Reinsurance premiums payable | 200 | 154 |
| Amounts held for others | 51,838 | 49,790 |
| Policyholder deposits | 48,059 | 48,380 |
| Insurance-related assessments | 33,313 | 32,329 |
| Federal income tax payable | 8,268 | 911 |
| Accounts payable and other liabilities | 28,673 | 30,484 |

| | | |
|---|---|---|
| Payable for investments purchased | 16,425 | |
| **Total liabilities** | 1,078,807 | 1,048,064 |
| Shareholders equity: | | |
| Common stock: | | |
| Voting $0.01 par value authorized shares 50,000,000 in 2016 and 2015; 20,440,124 and 20,388,396 shares issued and 19,181,874 and 19,130,146 shares outstanding in 2016 and 2015, respectively | 203 | 203 |
| Additional paid-in capital | 205,862 | 204,688 |
| Treasury stock at cost (1,258,250 shares in 2016 and 2015) | (22,370) | (22,370) |
| Accumulated earnings | 289,678 | 268,873 |
| Accumulated other comprehensive income, net | 5,380 | 2,587 |
| **Total shareholders equity** | 478,753 | 453,981 |
| **Total liabilities and shareholders equity** | $ 1,557,560 | $ 1,502,045 |

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, | |
|---|---|---|
| | **2016** | **2015** |
| **Revenues** | | |
| Gross premiums written | $ 100,382 | $ 100,789 |
| Ceded premiums written | (2,551) | (2,536) |
| Net premiums written | $ 97,831 | $ 98,253 |
| Net premiums earned | $ 95,961 | $ 94,787 |
| Net investment income | 6,044 | 6,833 |
| Net realized gains on investments | 248 | 59 |
| Fee and other income | 82 | 109 |
| Total revenues | 102,335 | 101,788 |
| **Expenses** | | |
| Loss and loss adjustment expenses incurred | 46,716 | 60,006 |
| Underwriting and certain other operating costs | 7,472 | 7,472 |
| Commissions | 6,878 | 7,005 |
| Salaries and benefits | 5,784 | 5,893 |
| Policyholder dividends | 1,090 | 215 |
| Total expenses | 67,940 | 80,591 |
| Income before income taxes | 34,395 | 21,197 |
| Income tax expense | 10,138 | 6,067 |
| Net income | 24,257 | 15,130 |
| Net income available to common shareholders | $ 24,257 | $ 15,130 |
| **Earnings per share** | | |
| Basic | $ 1.27 | $ 0.80 |
| Diluted | $ 1.27 | $ 0.79 |
| **Shares used in computing earnings per share** | | |
| Basic | 19,057,941 | 18,847,792 |

| | | |
|---|---|---|
| Diluted | 19,163,789 | 19,047,479 |
| Cash dividends declared per common share | $ 0.18 | $ 0.15 |

See accompanying notes.

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**AMERISAFE, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(in thousands)**

**(unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2016** | **2015** |
| Net income | $ 24,257 | $ 15,130 |
| Other comprehensive income: | | |
| Unrealized gain on securities, net of tax | 2,793 | 818 |
| Comprehensive income | $ 27,050 | $ 15,948 |

**AMERISAFE, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**

**(in thousands, except share data)**

**(unaudited)**

| | Common Stock | | Treasury Stock | | | | Accumulated Other | |
|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Shares** | **Amounts** | **Additional Paid-In Capital** | **Accumulated Earnings** | **Comprehensive Loss** | **Total** |
| Balance at December 31, 2015 | 20,388,396 | $ 203 | (1,258,250) | $ (22,370) | $ 204,688 | $ 268,873 | $ 2,587 | $ 453,981 |
| Comprehensive income | | | | | | 24,257 | 2,793 | 27,050 |
| Common stock issued upon exercise of options | 35,679 | | | | 454 | | | 454 |
| Tax benefit from share-based payments | | | | | 435 | | | 435 |
| Restricted common stock issued | 16,049 | | | | | | | |
| Share-based compensation | | | | | 285 | | | 285 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Dividends to shareholders | | | | | | (3,452) | | (3,452) |
| Balance at March 31, 2016 | 20,440,124 | $ 203 | (1,258,250) | $ (22,370) | $ 205,862 | $ 289,678 | $ 5,380 | $ 478,753 |

See accompanying notes.

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**AMERISAFE, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(in thousands)**

**(unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2016** | **2015** |
| **Operating activities** | | |
| Net income | $ 24,257 | $ 15,130 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 290 | 336 |
| Net amortization of investments | 4,095 | 4,024 |
| Deferred income taxes | 349 | (36) |
| Net realized gains on investments | (248) | (59) |
| Net realized losses on disposal of assets | 1 | |
| Share-based compensation | 231 | 359 |
| Changes in operating assets and liabilities: | | |
| Premiums receivable, net | (11,821) | (9,364) |
| Accrued interest receivable | (804) | (405) |
| Deferred policy acquisition costs | 190 | (1,142) |
| Amounts held by others | 1,017 | 1 |
| Other assets | (274) | 612 |
| Reserves for loss and loss adjustment expenses | 4,145 | 17,336 |
| Unearned premiums | 1,870 | 3,466 |
| Reinsurance balances | (1,306) | (470) |
| Amounts held for others and policyholder deposits | 1,727 | (418) |
| Accounts payable and other liabilities | 6,615 | 2,975 |
| Net cash provided by operating activities | 30,334 | 32,345 |
| **Investing activities** | | |
| Purchases of investments held-to-maturity | (39,852) | (55,425) |
| Purchases of investments available-for-sale | (65,963) | (49,215) |
| Purchases of short-term investments | (5,576) | (4,440) |
| Proceeds from maturities of investments held-to-maturity | 57,603 | 19,828 |
| Proceeds from sales and maturities of investments available-for-sale | 34,448 | 21,666 |
| Proceeds from sales and maturities of short-term investments | 1,508 | 25,771 |
| Purchases of property and equipment | (98) | (276) |
| Net cash used in investing activities | (17,930) | (42,091) |
| **Financing activities** | | |
| Proceeds from stock option exercises | 454 | 557 |

| | | |
|---|---|---|
| Tax benefit from share-based payments | 435 | 809 |
| Dividends to shareholders | (3,484) | (2,845) |
| Net cash used in financing activities | (2,595) | (1,479) |
| Change in cash and cash equivalents | 9,809 | (11,225) |
| Cash and cash equivalents at beginning of period | 69,481 | 90,956 |
| Cash and cash equivalents at end of period | $ 79,290 | $ 79,731 |

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 AMERISAFE and its subsidiaries: American Interstate Insurance Company ( AIIC ) and its insurance subsidiaries, Silver Oak Casualty, Inc. ( SOCI ) and 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 Nebraska. 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 service company currently servicing only affiliated 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 subsidiari the context requires.

The Company provides workers compensation insurance for small to mid-sized employers engaged in hazardous industries, principally construction, trucking, manufacturing, agriculture and oil and gas. Assets and revenues of AIIC represent at least 95% of comparable consolidated amounts of the Company for each of 2016 and 2015.

In the opinion of 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, 2015.

The preparation of financial statements in accordance 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.

Certain prior year amounts have been reclassified to conform with the current year presentation.

**Note 2. Stock Options and Restricted Stock**

As of March 31, 2016, the Company has three equity incentive plans: the AMERISAFE 2005 Equity Incentive Plan (the 2005 Incentive Plan ), the AMERISAFE 2010 Non-Employee Director Restricted Stock Plan (the 2010 Restricted

Stock Plan ) and the AMERISAFE 2012 Equity and Incentive Compensation Plan (the 2012 Incentive Plan ). The 2005 Incentive Plan expired on October 27, 2015. No grants will be made under the 2005 Incentive Plan after October 27, 2015 but all grants made on or prior to such date will continue in effect thereafter subject to the terms and conditions of the 2005 Incentive Plan. See Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 for additional information regarding the Company s incentive plans.

During the three months ended March 31, 2016, the Company granted 17,063 shares of restricted common stock to executive officers and a non-employee director. The market value of the restricted shares granted totaled $0.9 million. During the three months ended March 31, 2015, the Company granted 6,757 shares of restricted common stock to executive officers. The market value of the restricted shares granted totaled $0.3 million.

During the three months ended March 31, 2016, options to purchase 35,679 shares of common stock were exercised. During the three months ended March 31, 2015, options to purchase 74,250 shares of common stock were exercised. In connection with these exercises, the Company received $0.5 million and $0.6 million of stock option proceeds, respectively.

The Company recognized share-based compensation expense of $0.2 million in the three months ended March 31, 2016 and $0.4 million for the same period of 2015.

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**Note 3. Earnings Per Share**

The Company computes earnings per share ( EPS ) in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 260, *Earnings Per Share.* The Company has no participating unvested common shares which contain nonforfeitable rights to dividends and applies the treasury stock method in computing basic and diluted earnings per share.

Basic EPS is calculated by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period. The diluted EPS calculation includes potential common shares assumed issued under the treasury stock method, which reflects the potential dilution that would occur if any outstanding options or warrants were exercised or restricted stock becomes vested, and includes the if converted method for participating securities if the effect is dilutive.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands except share and per share data) | |
| Basic EPS: | | |
| Net income available to common shareholders - basic | $ 24,257 | $ 15,130 |
| Basic weighted average common shares | 19,057,941 | 18,847,792 |
| Basic earnings per common share | $ 1.27 | $ 0.80 |
| Diluted EPS: | | |
| Net income available to common shareholders - diluted | $ 24,257 | $ 15,130 |
| Diluted weighted average common shares: | | |
| Weighted average common shares | 19,057,941 | 18,847,792 |
| Stock options and performance shares | 105,848 | 199,687 |
| Diluted weighted average common shares | 19,163,789 | 19,047,479 |
| Diluted earnings per common share | $ 1.27 | $ 0.79 |

**Note 4. Investments**

The gross unrealized gains and losses on, and the amortized cost and fair value of, those investments classified as held-to-maturity at March 31, 2016 are summarized as follows:

| Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|
| | (in thousands) | | |

| | | | | |
|---|---|---|---|---|
| States and political subdivisions | $ 420,800 | $ 16,561 | $ (22) | $ 437,339 |
| Corporate bonds | 168,542 | 815 | (315) | 169,042 |
| Commercial mortgage-backed securities | 22,855 | 104 | (11) | 22,948 |
| U.S. agency-based mortgage-backed securities | 12,332 | 1,266 | (1) | 13,597 |
| U.S. Treasury securities and obligations of U.S. government agencies | 12,913 | 1,039 | | 13,952 |
| Asset-backed securities | 2,190 | 194 | (90) | 2,294 |
| Totals | $ 639,632 | $ 19,979 | $ (439) | $ 659,172 |

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The gross unrealized gains and losses on, and the cost or amortized cost and fair value of, those investments classified as available-for-sale at March 31, 2016 are summarized as follows:

| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | | (in thousands) | | |
| Fixed maturity: | | | | |
| States and political subdivisions | $ 165,016 | $ 7,752 | $ (172) | $ 172,596 |
| Corporate bonds | 212,938 | 2,241 | (723) | 214,456 |
| U.S. agency-based mortgage-backed securities | 13,009 | 3 | (1130) | 11,882 |
| U.S. Treasury securities and obligations of U.S. government agencies | 17,401 | 233 | | 17,634 |
| Total fixed maturity | 408,364 | 10,229 | (2,025) | 416,568 |
| Other investments | 10,000 | 1,390 | | 11,390 |
| Equity securities | | 31 | | 31 |
| Totals | $ 418,364 | $ 11,650 | $ (2,025) | $ 427,989 |

The gross unrealized gains and losses on, and the amortized cost and fair value of, those investments classified as held-to-maturity at December 31, 2015 are summarized as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | | (in thousands) | | |
| States and political subdivisions | $ 408,447 | $ 15,352 | $ (45) | $ 423,754 |
| Corporate bonds | 171,224 | 159 | (810) | 170,573 |
| Commercial mortgage-backed securities | 37,494 | 204 | (15) | 37,683 |
| U.S. agency-based mortgage-backed securities | 13,223 | 1,249 | (1) | 14,471 |
| U.S. Treasury securities and obligations of U.S. government agencies | 12,487 | 897 | (4) | 13,380 |
| Asset-backed securities | 2,289 | 202 | (76) | 2,415 |
| Totals | $ 645,164 | $ 18,063 | $ (951) | $ 662,276 |

The gross unrealized gains and losses on, and the cost or amortized cost and fair value of, those investments classified as available-for-sale at December 31, 2015 are summarized as follows:

| | Cost or Amortized | Gross Unrealized | Gross Unrealized | Fair Value |
|---|---|---|---|---|

| | Cost | Gains | Losses | |
|---|---|---|---|---|
| | | (in thousands) | | |
| Fixed maturity: | | | | |
| States and political subdivisions | $ 164,684 | $ 6,942 | $ (207) | $ 171,419 |
| Corporate bonds | 202,537 | 253 | (1,486) | 201,304 |
| U.S. agency-based mortgage-backed securities | 8,888 | 4 | (1,593) | 7,299 |
| Total fixed maturity | 376,109 | 7,199 | (3,286) | 380,022 |
| Other investments | 10,000 | 2,217 | | 12,217 |
| Equity securities | | 31 | | 31 |
| Totals | $ 386,109 | $ 9,447 | $ (3,286) | $ 392,270 |

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A summary of the cost and fair value of investments in fixed maturity securities, classified as held-to-maturity at March 31, 2016, by contractual maturity, is as follows:

| Maturity: | Amortized Cost | Fair Value |
|---|---|---|
| | (in thousands) | |
| Within one year | $ 98,055 | $ 98,946 |
| After one year through five years | 305,347 | 313,740 |
| After five years through ten years | 113,508 | 118,689 |
| After ten years | 85,345 | 88,958 |
| U.S. agency-based mortgage-backed securities | 12,332 | 13,597 |
| Commercial mortgage-backed securities | 22,855 | 22,948 |
| Asset-backed securities | 2,190 | 2,294 |
| Totals | $ 639,632 | $ 659,172 |

A summary of the cost and fair value of investments in fixed maturity securities, classified as available-for-sale at March 31, 2016, by contractual maturity, is as follows:

| Maturity | Amortized Cost | Fair Value |
|---|---|---|
| | (in thousands) | |
| Within one year | $ 50,609 | $ 50,899 |
| After one year through five years | 203,059 | 205,540 |
| After five years through ten years | 40,481 | 41,455 |
| After ten years | 101,206 | 106,792 |
| U.S. agency-based mortgage-backed securities | 13,009 | 11,882 |
| Totals | $ 408,364 | $ 416,568 |

The following table summarizes the fair value and gross unrealized losses on securities, aggregated by major investment category and length of time that the individual securities have been in a continuous unrealized loss position:

| | Less Than 12 Months | | 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) | | | | | |

| March 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|
| **Held-to-Maturity** | | | | | | |
| Fixed maturity securities: | | | | | | |
| Corporate bonds | $ 39,485 | $ 184 | $ 17,255 | $ 131 | $ 56,740 | $ 315 |
| States and political subdivisions | 11,130 | 22 | | | 11,130 | 22 |
| U.S. agency-based mortgage-backed securities | | | 33 | 1 | 33 | 1 |
| Commercial mortgage-backed securities | 3,083 | 11 | | | 3,083 | 11 |
| Asset-backed securities | | | 1,318 | 90 | 1,318 | 90 |
| Total held-to-maturity securities | 53,698 | 217 | 18,606 | 222 | 72,304 | 439 |
| **Available-for Sale** | | | | | | |
| Fixed maturity securities: | | | | | | |
| Corporate bonds | $ 43,457 | $ 688 | $ 3,197 | $ 35 | $ 46,654 | $ 723 |
| States and political subdivisions | 4,223 | 3 | 4,637 | 169 | 8,860 | 172 |
| U.S. agency-based mortgage-backed securities | 2,505 | 34 | 7,212 | 1,096 | 9,717 | 1,130 |
| Total available-for-sale securities | 50,185 | 725 | 15,046 | 1,300 | 65,231 | 2,025 |
| Total | $ 103,883 | $ 942 | $ 33,652 | $ 1,522 | $ 137,535 | $ 2,464 |

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| | Less Than 12 Months | | 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) | | | | | |
| **December 31, 2015** | | | | | | |
| **Held-to-Maturity** | | | | | | |
| Fixed maturity securities: | | | | | | |
| Corporate bonds | $ 128,436 | $ 687 | $ 18,139 | $ 123 | $ 146,575 | $ 810 |
| States and political subdivisions | 24,068 | 45 | | | 24,068 | 45 |
| U.S. Treasury securities and obligations of U.S. government agencies | 2,980 | 4 | | | 2,980 | 4 |
| U.S. agency-based mortgage-backed securities | 18 | | 28 | 1 | 46 | 1 |
| Commercial mortgage-backed securities | 9,784 | 15 | | | 9,784 | 15 |
| Asset-backed securities | | | 1,389 | 76 | 1,389 | 76 |
| Total held-to-maturity securities | 165,286 | 751 | 19,556 | 200 | 184,842 | 951 |
| **Available-for Sale** | | | | | | |
| Fixed maturity securities: | | | | | | |
| Corporate bonds | $ 141,857 | $ 1.475 | $ 4,216 | $ 11 | $ 146,073 | $ 1,486 |
| States and political subdivisions | 6,560 | 9 | 4,439 | 198 | 10,999 | 207 |
| U.S. agency-based mortgage-backed securities | 434 | 37 | 6,794 | 1,556 | 7,228 | 1,593 |
| Total available-for-sale securities | 148,851 | 1,521 | 15,449 | 1,765 | 164,300 | 3,286 |
| Total | $ 314,137 | $ 2,272 | $ 35,005 | $ 1,965 | $ 349,142 | $ 4,237 |

At March 31, 2016, the Company held 85 individual fixed maturity securities that were in an unrealized loss position, of which 28 individual fixed maturity securities were in a continuous unrealized loss position for longer than 12 months.

The Company holds investments in a limited partnership hedge fund accounted for under the equity method. The carrying value of this investment is $11.4 million at March 31, 2016.

Investment income is recognized as it is earned. The discount or premium on fixed maturity securities is amortized using the constant yield method. Anticipated prepayments, where applicable, are considered when determining the amortization of premiums or discounts. Realized investment gains and losses are determined using the specific identification method.

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

- any reduction or elimination of preferred 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.

We reviewed all securities with unrealized losses in accordance with the impairment policy described above. The Company 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

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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 as it is not more likely than not that we will be required to sell the securities before the recovery of the amortized cost basis.

During the three months ended March 31, 2016 and 2015, there were no impairment losses recognized for other-than-temporary declines in the fair value of our investments.

Net realized gains in the three months ended March 31, 2016 were $0.2 million resulting from the sale of fixed maturity securities classified as available-for-sale. Net realized gains in the three months ended March 31, 2015 were $0.1 million resulting from gains on called fixed maturity securities.

**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, 2016, 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 recognized for the periods ended March 31, 2016 and 2015.

Tax years 2012 through 2015 are subject to examination by the federal and state taxing authorities.

**Note 6. Comprehensive Income and Accumulated Other Comprehensive Income**

Comprehensive income was $27.1 million for the three months ended March 31, 2016, compared to $15.9 million for the three months ended March 31, 2015. The difference between net income as reported and comprehensive income was due to changes in unrealized gains and losses, net of tax on available-for-sale securities.

Comprehensive income includes net income plus unrealized gains (losses) on our available-for-sale investment securities, net of tax. In reporting comprehensive income on a net basis in the statement of income, we used a 35 percent tax rate. The following table illustrates the changes in the balance of each component of accumulated other comprehensive income for each period presented in the interim financial statements.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Beginning balance | $ 2,587 | $ 2,810 |
| Other comprehensive income before reclassification | 3,033 | 883 |
| Amounts reclassified from accumulated other comprehensive income | (240) | (65) |
| Net current period other comprehensive income | 2,793 | 818 |
| Ending balance | $ 5,380 | $ 3,628 |

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The sale or other-than-temporary impairment of an available-for-sale security results in amounts being reclassified from accumulated other comprehensive income to current period net income. The effects of reclassifications out of accumulated other comprehensive income by the respective line items of net income are presented in the following table.

| Component of Accumulated Other Comprehensive Income | Three Months Ended March 31, 2016 | 2015 | Affected line item in the statement of income |
|---|---|---|---|
| | (in thousands) | | |
| Unrealized gains on available-for-sale securities | $ 369 | $ 100 | Net realized gains on investments |
| | 369 | 100 | Income before income taxes |
| | (129) | (35) | Income tax expense |
| | $ 240 | $ 65 | Net income |

**Note 7. Fair Value Measurements**

The Company carries available-for-sale securities at fair value in our consolidated financial statements and determines fair value measurements and disclosure in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures.*

The Company determines 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 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.

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.

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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.

The fair values of the Company s investments are based upon prices provided by an independent pricing service. The Company has reviewed these prices for reasonableness and has not adjusted any prices received from the independent provider. Securities reported at fair value utilizing Level 1 inputs represent assets whose fair value is determined based upon observable unadjusted quoted market prices for identical assets in active markets. Level 2 securities represent assets whose fair value is determined using observable market information such as previous day trade prices, quotes from less active markets or quoted prices of securities with similar characteristics. There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2016.

At March 31, 2016, assets and liabilities measured at fair value on a recurring basis are summarized below:

| | March 31, 2016 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| | | (in thousands) | | |
| Financial instruments carried at fair value, classified as a part of: | | | | |
| Other investments | $ | $ | $ 11,390 | $ 11,390 |
| Securities available for sale equity: | | | | |
| Domestic common stock | 31 | | | 31 |
| Securities available for sale fixed maturity: | | | | |
| States and political subdivisions | | 172,596 | | 172,596 |
| Corporate bonds | | 214,456 | | 214,456 |
| U.S. agency-based mortgage-backed securities | | 11,882 | | 11,882 |
| U.S. Treasury securities | 17,634 | | | 17,634 |
| Total securities available for sale fixed maturity | 17,634 | 398,934 | | 416,568 |
| Total available for sale | $ 17,665 | $ 398,934 | $ 11,390 | $ 427,989 |

At March 31, 2016, assets and liabilities measured at amortized cost are summarized below:

| | March 31, 2016 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| | | (in thousands) | | |
| Securities held-to-maturity fixed maturity | | | | |
| States and political subdivisions | $ | $ 437,339 | $ | $ 437,339 |

| | | | | |
|---|---|---|---|---|
| Corporate bonds | | 169,042 | | 169,042 |
| Commercial mortgage-backed securities | | 22,948 | | 22,948 |
| U.S. agency-based mortgage-backed securities | | 13,597 | | 13,597 |
| U.S. Treasury securities | 8,053 | | | 8,053 |
| Obligations of U.S. government agencies | | 5,899 | | 5,899 |
| Asset-backed securities | | 2,294 | | 2,294 |
| Total held-to-maturity | $ 8,053 | $ 651,119 | $ | $ 659,172 |

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At December 31, 2015, assets and liabilities measured at fair value on a recurring basis are summarized below:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| | | (in thousands) | | |
| Financial instruments carried at fair value, classified as part of: | | | | |
| Other investments | $ | $ | $ 12,217 | $ 12,217 |
| Securities available for sale equity: | | | | |
| Domestic common stock | 31 | | | 31 |
| Securities available for sale fixed maturity: | | | | |
| States and political subdivisions | | 171,419 | | 171,419 |
| U.S. agency-based mortgage-backed securities | | 7,299 | | 7,299 |
| Corporate bonds | | 201,304 | | 201,304 |
| Total available for sale fixed maturity | $ | $ 380,022 | $ | $ 380,022 |
| Total available for sale | $ 31 | $ 380,022 | $ 12,217 | $ 392,270 |

At December 31, 2015, assets and liabilities measured at amortized cost are summarized below:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| | | (in thousands) | | |
| Securities held-to-maturity fixed maturity: | | | | |
| States and political subdivisions | $ | $ 423,754 | $ | $ 423,754 |
| Corporate bonds | | 170,573 | | 170,573 |
| Commercial mortgage-backed securities | | 37,683 | | 37,683 |
| U.S. agency-based mortgage-backed securities | | 14,471 | | 14,471 |
| U.S. Treasury securities | 7,599 | | | 7,599 |
| Obligations of U.S. government agencies | | 5,781 | | 5,781 |
| Asset-backed securities | | 2,415 | | 2,415 |
| Total held-to-maturity | $ 7,599 | $ 654,677 | $ | $ 662,276 |

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, which are characterized as Level 1 assets.

*Investments* The fair values for fixed maturity and equity securities are based on prices obtained from an independent pricing service. Equity and treasury securities are characterized as Level 1 assets, as their fair values are based on quoted prices in active markets. Fixed maturity securities, other than treasury securities, are characterized as Level 2 assets, as their fair values are determined using observable market inputs.

*Short Term Investments* The carrying amounts reported in the accompanying consolidated balance sheets for these financial instruments approximate their fair values. These securities are characterized as Level 2 assets in the fair value hierarchy.

*Other Investments* Other investments consist of a limited partnership ( LP ) interest that is accounted for under the equity method valued using the net asset value provided by the general partner of the LP, which approximates the fair value of the interest. The LP s objective is to generate absolute returns by investing long and short in publicly-traded global securities. Redemptions are allowed monthly following a 60 day notice with no lock up periods. The Company has no unfunded commitments related to the LP. This investment is characterized as a Level 3 asset in the fair value hierarchy.

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

| | As of March 31, 2016 | | As of December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | (in thousands) | | | |
| Assets: | | | | |
| Fixed maturity securities held-to-maturity | $ 639,632 | $ 659,172 | $ 645,164 | $ 662,276 |
| Fixed maturity securities available-for-sale | 416,568 | 416,568 | 380,022 | 380,022 |
| Equity securities | 31 | 31 | 31 | 31 |
| Cash and cash equivalents | 79,290 | 79,290 | 69,481 | 69,481 |
| Short-term investments | 11,713 | 11,713 | 7,718 | 7,718 |
| Other investments | 11,390 | 11,390 | 12,217 | 12,217 |

The following table presents summary information regarding changes in the fair value of assets measured at fair value using Level 3 input.

| | Three Months Ended March 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|
| | (in thousands) | |
| Beginning balance | $ 12,217 | $ 11,748 |
| Total unrealized gains (losses) | (827) | 469 |
| Ending balance | $ 11,390 | $ 12,217 |

**Note 8. Treasury Stock**

The Company s Board of Directors initiated a share repurchase program in February 2010. In October 2015, the Board reauthorized this program with a limit of $25.0 million. Unless reauthorized, the program will expire on December 31, 2016. Since the beginning of this plan, the Company has repurchased a total of 1,258,250 shares for $22.4 million, or an average price of $17.78, including commissions.

**Note 9. Commitments and Contingencies**

In February 2015, the Company was notified of an adverse verdict against its subsidiary, American Interstate Insurance Company, related to a 2009 workers compensation claim in the State of Iowa. The verdict was for $25.3 million, of which $0.3 million was for actual damages and $25.0 million was awarded for punitive damages. American Interstate is appealing both the verdict and the damage awards. The Company has posted an appeal bond in the amount of $27.8 million, as required by law. The Company maintains reinsurance against catastrophic losses, including court ordered judgments. As of March 31, 2016, the Company s total reserve for the claim was $2.5 million. The $2.5 million reserve does not include payments that the Company has previously paid in this case. The payments, plus the $2.5 million reserve, total $5.4 million. The Company s retention is $5.0 million before its reinsurance providers are obligated to reimburse the Company for additional costs. The Company presently believes that the reserve amount, together with its reinsurance coverage, is adequate to satisfy this claim.

**Note 10. Subsequent Events**

On April 26, 2016, the Company s Board of Directors declared a quarterly cash dividend of $0.18 per share payable on June 24, 2016 to shareholders of record as of June 10, 2016. The Board intends to consider the payment of a regular cash dividend each calendar quarter.

**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 1of Part I 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, 2015.

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, 2016 and 2015. 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.

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**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, manufacturing, agriculture and oil and gas. 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 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 27 states through independent agencies, as well as through our wholly owned insurance agency subsidiary. We are also licensed in an additional 20 states, the District of Columbia and the U.S. Virgin Islands.

**Critical Accounting Policies**

Understanding our accounting policies is key to understanding our financial statements. Management considers some of these policies to be very important to the presentation of our financial results because they require us to make significant estimates and assumptions. These estimates and assumptions affect the reported amounts of our assets, liabilities, revenues and expenses and 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, premiums receivable, 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 our Annual Report on Form 10-K for the year ended December 31, 2015.

**Results of Operations**

The following table summarizes our consolidated financial results for the three months ended March 31, 2016 and 2015.

| | Three Months Ended March 31, | |
|---|---|---|
| | **2016** | **2015** |

| | (dollars in thousands, except per share data) | |
|---|---|---|
| | (unaudited) | |
| Gross premiums written | $ 100,382 | $ 100,789 |
| Net premiums earned | 95,961 | 94,787 |
| Net investment income | 6,044 | 6,833 |
| Total revenues | 102,335 | 101,788 |
| Total expenses | 67,940 | 80,591 |
| Net income | 24,257 | 15,130 |
| Diluted earnings per common share | $ 1.27 | $ 0.79 |
| **Other Key Measures** | | |
| Net combined ratio (1) | 70.8% | 85.0% |
| Return on average equity (2) | 20.8% | 13.3% |
| Book value per share (3) | $ 24.96 | $ 24.32 |

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(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 net premiums earned in the current period.
(2) Return on average equity is calculated by dividing the annualized net income by the average shareholders equity for the applicable period.
(3) Book value per share is calculated by dividing shareholders equity by total outstanding shares, as of the end of the period.

***Consolidated Results of Operations for Three Months Ended March 31, 2016 Compared to March 31, 2015***

*Gross Premiums Written*. Gross premiums written for the quarter ended March 31, 2016 were $100.4 million, compared to $100.8 million for the same period in 2015, a decrease of 0.4%. The decrease was attributable to a $3.0 million decrease in annual premiums on voluntary policies written during the period. These decreases were partially offset by a $2.2 million increase in premiums resulting from payroll audits and related premium adjustments for policies written in previous quarters and a $0.1 million increase in assumed premium from mandatory pooling arrangements. The effective loss cost multiplier, or LCM, for our voluntary business was 1.76 for the quarter ended March 31, 2016 compared to 1.83 for the same period in 2015.

*Net Premiums Written*. Net premiums written for the quarter ended March 31, 2016 were $97.8 million, compared to $98.3 million for the same period in 2015, a decrease of 0.4%. The decrease was primarily attributable to the decrease in gross premiums written. As a percentage of gross premiums earned, ceded premiums were 2.6% for the first quarter of 2016 and 2015. For additional information, see Item 1, Business Reinsurance in our Annual Report on Form 10-K for the year ended December 31, 2015.

*Net Premiums Earned*. Net premiums earned for the first quarter of 2016 were $96.0 million, compared to $94.8 million for the same period in 2015, an increase of 1.2%. The increase was attributable to the increase in premiums resulting from payroll audits and related premium adjustments for policies written during previous quarters.

*Net Investment Income*. Net investment income for the quarter ended March 31, 2016 was $6.0 million, compared to $6.8 million for the same period in 2015, a decrease of 11.5%. The decrease of $0.8 million was attributable to the decline in value of a hedge fund investment where the change in value is recorded in investment income each quarter. Average invested assets, including cash and cash equivalents increased 0.3% to $1.1 billion in the quarter ended March 31, 2016. The pre-tax investment yield on our investment portfolio was 2.1% per annum during the quarter ended March 31, 2016 compared to 2.4% per annum during the same period in 2015. The tax-equivalent yield on our investment portfolio was 3.4% per annum for the quarter ended March 31, 2016 compared to 3.5% per annum for the same period in 2015. The tax-equivalent yield is calculated using the effective interest rate and a 35% marginal tax rate.

*Net Realized Gains on Investments*. Net realized gains on investments for the three months ended March 31, 2016 and 2015 totaled $0.2 million and $0.1 million, respectively. Net realized gains in the first quarter of 2016 were attributable to the sale of fixed maturity securities classified as available-for-sale. Net realized gains in the first quarter of 2015 were attributable to called fixed maturity securities.

*Loss and Loss Adjustment Expenses Incurred*. Loss and loss adjustment expenses ( LAE ) incurred totaled $46.7 million for the three months ended March 31, 2016, compared to $60.0 million for the same period in 2015, a decrease of $13.3 million, or 22.1%. The current accident year losses and LAE incurred were $65.2 million, or 67.9% of net premiums earned, compared to $66.2 million, or 69.8% of net premiums earned, for the same period in 2015.

We recorded favorable prior accident year development of $18.4 million in the first quarter of 2016, compared to favorable prior accident year development of $6.1 million in the same period of 2015, as further discussed below in Prior Year Development. Our net loss ratio was 48.7% in the first quarter of 2016, compared to 63.3% for the same period of 2015.

*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, 2016 were $20.1 million, compared to $20.4 million for the same period in 2015, a decrease of 1.2%. This decrease was primarily due to a $0.5 million decrease in premium taxes and a $0.4 million decrease in compensation expense. Offsetting these decreases was a $0.3 million increase in insurance related assessments and a $0.3 million increase in accounts receivable write-offs. Our expense ratio was 21.0% in the first quarter of 2016 compared to 21.5% in the first quarter of 2015.

*Income Tax Expense.* Income tax expense for the three months ended March 31, 2016 was $10.1 million, compared to $6.1 million for the same period in 2015. The increase was attributable to an increase in the pre-tax income to $34.4 million in the quarter ended March 31, 2016 from $21.2 million in the same period in 2015. The effective tax rate increased to 29.5% in the quarter ended March 31, 2016 from 28.6% in the same period in 2015. The increase in the effective tax rate resulted from a higher proportion of underwriting income to tax-exempt income relative to the first quarter of 2015.

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**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 the remaining funds.

Net cash provided by operating activities was $30.3 million for the three months ended March 31, 2016, which represented a $2.0 million decrease from $32.3 million in net cash provided by operating activities for the three months ended March 31, 2015. This decrease in operating cash flow was attributable to a $4.1 million decrease in premium collections, a $1.4 million increase in federal taxes paid and a $1.1 million decrease in investment income. Offsetting these decreases were a $3.6 million decrease in underwriting expenses paid, a $1.0 million decrease in amounts held by others and a $0.2 million increase in paid losses payable.

Net cash used in investing activities was $17.9 million for the three months ended March 31, 2016, compared to net cash used in investing activities of $42.1 million for the same period in 2015. Cash provided by sales and maturities of investments totaled $93.6 million for the three months ended March 31, 2016, compared to $67.3 million for the same period in 2015. A total of $111.4 million in cash was used to purchase investments in the three months ended March 31, 2016, compared to $109.1 million in purchases for the same period in 2015.

Net cash used in financing activities in the three months ended March 31, 2016 was $2.6 million compared to net cash used in financing activities of $1.5 million for the same period in 2015. In the three months ended March 31, 2016, $3.5 million of cash was used for dividends paid to shareholders compared to $2.8 million in the same period of 2015. Offsetting the payment of dividends were proceeds of $0.5 million and $0.6 million from stock option exercises in the three months ended March 31, 2016 and 2015, respectively. During the three months ended March 31, 2016, the tax benefit from share based compensation was $0.4 million compared to $0.8 million for the same period in 2015.

**Investment Portfolio**

Our investment portfolio, including cash and cash equivalents, totaled $1.2 billion on March 31, 2016 compared to $1.1 billion at December 31, 2015. Effective April 1, 2010, purchases of fixed maturity securities are classified as available-for-sale or held-to-maturity based on the individual security. Such classification is made at the time of purchase. The reported value of our fixed maturity securities classified as held-to-maturity, as defined by FASB ASC Topic 320, *Investments-Debt and Equity Securities*, was equal to their amortized cost, and thus was not impacted by changing interest rates. Our equity securities and fixed maturity securities classified as available-for-sale were reported at fair value.

The composition of our investment portfolio, including cash and cash equivalents, as of March 31, 2016, is shown in the following table:

| | Carrying Value | Percentage of Portfolio |
|---|---|---|
| | (in thousands) | |
| Fixed maturity securities held-to-maturity: | | |
| States and political subdivisions | $ 420,800 | 36.3% |
| U.S. agency-based mortgage-backed securities | 12,332 | 1.1% |
| Commercial mortgage-backed securities | 22,855 | 2.0% |

| | | |
|---|---|---|
| U.S. Treasury securities and obligations of U.S. government agencies | 12,913 | 1.1% |
| Corporate bonds | 168,542 | 14.5% |
| Asset-backed securities | 2,190 | 0.2% |
| Total fixed maturity securities held-to-maturity | 639,632 | 55.2% |
| Fixed maturity securities available-for-sale: | | |
| States and political subdivisions | 172,596 | 14.9% |
| U.S. agency-based mortgage-backed securities | 11,882 | 1.1% |
| U.S. Treasury securities and obligations of U.S. government agencies | 17,634 | 1.5% |
| Corporate bonds | 214,456 | 18.5% |
| Total fixed maturity securities available-for-sale | 416,568 | 36.0% |
| Equity securities | 31 | 0.0% |
| Short-term investments | 11,713 | 1.0% |
| Cash and cash equivalents | 79,290 | 6.8% |
| Other investments | 11,390 | 1.0% |
| Total investments, including cash and cash equivalents | $ 1,158,624 | 100.0% |

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Our securities classified as available-for-sale are marked to market as of the end of each calendar quarter. As of that date, unrealized gains and losses are recorded to 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.

During the three months ended March 31, 2016 and 2015, there were no impairment losses recognized for other-than-temporary declines in the fair value of our investments.

**Prior Year Development**

The Company recorded favorable prior accident year development of $18.4 million in the three months ended March 31, 2016. The table below sets forth the favorable development for the three months ended March 31, 2016 and 2015 for accident years 2011 through 2015 and, collectively, for all accident years prior to 2011.

| | Three Months Ended March 31, 2016 | Three Months Ended March 31, 2015 |
|---|---|---|
| **Accident Year** | | |
| 2015 | $ | $ |
| 2014 | 3.9 | |
| 2013 | 5.2 | |
| 2012 | 5.7 | 4.7 |
| 2011 | 1.3 | 1.1 |
| Prior to 2011 | 2.3 | 0.3 |
| Total net development | $ 18.4 | $ 6.1 |

The table below sets forth the number of open claims as of March 31, 2016 and 2015, and the number of claims reported and closed during the three months then ended.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Open claims at beginning of period | 5,300 | 5,515 |
| Claims reported | 1,271 | 1,251 |
| Claims closed | (1,420) | (1,429) |
| Open claims at end of period | 5,151 | 5,337 |

The number of open claims at March 31, 2016 decreased by 186 claims as compared to the number of open claims at March 31, 2015. We believe the favorable loss development in 2016 and 2015 resulted primarily from an intensive claims management focus with the company actively seeking to settle claims, leading to favorable development.

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 Item 1, Business Loss Reserves in our Annual Report on Form 10-K for the year ended December 31, 2015.

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**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, 2015, 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 year ended December 31, 2015.

**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.

Because of its inherent limitations, management does not expect that our disclosure controls and procedures and our internal controls over financial reporting will prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate. Any control system, no matter how well designed and operated, is based upon certain assumptions and can only provide reasonable, not absolute assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to errors or fraud will not occur or that all control issues and instances of fraud, if any within the Company, have been detected.

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.

## PART II OTHER INFORMATION

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

The Board of Directors initially authorized the Company s share repurchase program in February 2010. In October 2015, the Board reauthorized this program. As of March 31, 2016, we had repurchased a total of 1,258,250 shares of our outstanding common stock for $22.4 million. There were no shares purchased during the three months ended March 31, 2016 and 2015. We intend to purchase shares of our common stock from time to time depending upon market conditions and subject to applicable regulatory considerations. It is anticipated that future purchases will be funded from available capital. At March 31, 2016, the dollar value of shares that may yet be purchased under the

program is $25.0 million.

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**Item 6. Exhibits.**

| Exhibit No. | Description |
|---|---|
| 10.1 | Employment Agreement effective as of March 1, 2016 by and between the Company and Kathryn H. Shirley |
| 31.1 | Certification of G. Janelle Frost filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Neal A. Fuller filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of G. Janelle Frost and Neal A. Fuller filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

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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.

April 29, 2016 /s/ G. Janelle Frost
**G. Janelle Frost**
**President and Chief Executive Officer**
**(Principal Executive Officer)**

April 29, 2016 /s/ Neal A. Fuller
**Neal A. Fuller**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial and Accounting Officer)**

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