

AMERISAFE INC  
Form DEF 14A  
April 24, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**  
**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant       Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**AMERISAFE, Inc.**

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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(1) Amount Previously Paid:

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(4) Date Filed:

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May 2, 2008

Dear AMERISAFE Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of AMERISAFE, Inc. The meeting will be held on Monday, June 16, 2008, beginning at 9:00 a.m. at our corporate headquarters, which are located at 2301 Highway 190 West in DeRidder, Louisiana 70634.

Information about the meeting and the nominees for election as directors is presented in the following Notice of Annual Meeting of Shareholders and Proxy Statement. At the meeting, management will report on the Company's operations during 2007 and comment on our outlook for 2008. The report will be followed by a question and answer period.

We hope that you will plan to attend the Annual Meeting. It is important that your shares be represented. Accordingly, please sign, date and promptly mail the enclosed proxy card in the enclosed pre-addressed, postage-paid envelope.

We look forward to seeing you at the meeting on June 16th.

Sincerely,

C. Allen Bradley, Jr.

*Chairman, President, and*

*Chief Executive Officer*

**AMERISAFE, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To be held on June 16, 2008**

The 2008 Annual Meeting of Shareholders of AMERISAFE, Inc. (the *Company*) will be held on June 16, 2008, beginning at 9:00 a.m. at the Company's corporate headquarters, which are located at 2301 Highway 190 West in DeRidder, Louisiana 70634. The meeting will be held for the following purposes:

- (1) to elect two directors to serve until the 2011 Annual Meeting of Shareholders;
- (2) to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008; and
- (3) to transact such other business as may properly come before the meeting.

Information concerning the matters to be voted upon at the meeting is set forth in the accompanying Proxy Statement. Holders of record of the Company's common stock and Series C convertible preferred stock as of the close of business on April 21, 2008 are entitled to notice of, and to vote at, the meeting.

If you plan to attend the meeting and will need special assistance or accommodation due to a disability, please describe your needs on the enclosed proxy card. Also enclosed is the Company's Annual Report for 2007.

By Order of the Board of Directors,

Todd Walker

*Executive Vice President,*

*General Counsel, and Secretary*

DeRidder, Louisiana

May 2, 2008

**IMPORTANT**

**Whether or not you plan to attend the meeting in person, please vote by signing, dating and promptly returning the enclosed proxy card in the pre-addressed, postage-paid envelope.**

**AMERISAFE, Inc.**

**2301 Highway 190 West**

**DeRidder, Louisiana 70634**

**PROXY STATEMENT**

This proxy statement provides information in connection with the solicitation of proxies by the Board of Directors (the *Board*) of AMERISAFE, Inc. (the *Company*) for use at the Company's 2008 Annual Meeting of Shareholders or any postponement or adjournment thereof (the *Annual Meeting*). This Proxy Statement also provides information you will need in order to consider and to act upon the matters specified in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement and the enclosed proxy card are being mailed to shareholders on or about May 2, 2008.

Record holders of the Company's common stock and Series C convertible preferred stock as of the close of business on April 21, 2008 are entitled to vote at the Annual Meeting. Each record holder of common stock on that date is entitled to one vote at the Annual Meeting for each share of common stock held. As of April 21, 2008, there were 18,823,460 shares of common stock outstanding. Each record holder of Series C convertible preferred stock on that date is entitled to one vote for each share of common stock that would be issuable upon the conversion of all the shares of Series C convertible preferred stock held by that holder. As of April 21, 2008, there were 50,000 shares of Series C convertible preferred stock outstanding entitling those holders to an aggregate of 242,953 votes. Holders of common stock and Series C convertible preferred stock will vote together as a single class on all matters to be voted on by shareholders of the Company at the Annual Meeting. As of April 21, 2008, record holders of the Company's common stock and Series C convertible preferred stock are entitled to an aggregate of 19,066,413 votes.

You cannot vote your shares unless you are present at the Annual Meeting or you have previously given your proxy. You can vote by proxy by signing, dating and returning the enclosed proxy card in the enclosed pre-addressed, postage paid envelope. If you vote by proxy, you can revoke that proxy at any time before it is voted at the Annual Meeting. You can do this by:

delivering a written notice revoking your proxy to the Company's Secretary at the address above;

delivering a new proxy bearing a date after the date of the proxy being revoked; or

voting in person at the Annual Meeting.

All properly executed proxies, unless revoked as described above, will be voted at the Annual Meeting in accordance with your directions on the proxy. If a properly executed proxy gives no specific instructions, the shares of common stock or Series C convertible preferred stock represented by your proxy will be voted:

FOR the election of each of the two director nominees to serve a three-year term expiring at the 2011 Annual Meeting of Shareholders;

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FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008; and

at the discretion of the proxy holders with regard to any other matter that is properly presented at the Annual Meeting.

If you own shares of common stock or Series C convertible preferred stock held in street name and you do not instruct your broker how to vote your shares using the instructions your broker provides you, your broker may choose not to vote your shares. To be sure your shares are voted in the manner you desire, you should instruct your broker how to vote your shares.



Holders of a majority of the combined voting power of the outstanding shares of the Company's common stock and Series C convertible preferred stock must be present, either in person or by proxy, to constitute a quorum necessary to conduct the Annual Meeting. The directors will be elected by a plurality of the votes cast by holders of the Company's common stock and Series C convertible preferred stock. If you withhold authority to vote for a director nominee, your shares will not be counted in the vote for that director nominee.

The Company pays the costs of soliciting proxies. Our employees may solicit proxies by telephone or in person. However, they will not receive additional compensation for soliciting proxies. The Company may request banks, brokers, and other custodians, nominees, and fiduciaries to forward copies of these proxy materials to the beneficial holders and to request instructions for the execution of proxies. The Company may reimburse these persons for their expenses in so doing. Proxies are solicited to give all record holders of the Company's common stock and Series C convertible preferred stock an opportunity to vote on the matters to be presented at the Annual Meeting, even if they cannot attend the meeting.

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

At the Annual Meeting, two directors will be elected to serve three-year terms expiring at our annual shareholder meeting in 2011. This section contains information relating to the two director nominees and the directors whose terms of office continue after the Annual Meeting. The director nominees were selected by the Nominating and Corporate Governance Committee and approved by the Board for submission to the shareholders. The nominees for election are C. Allen Bradley, Jr. and Austin P. Young, III.

*The Board recommends a vote **FOR** election of each of the nominees.*

**Nominees to be elected for terms expiring at the Annual Meeting in 2011**

**C. Allen Bradley, Jr.**, age 56, has served as Chairman of the Board since October 2005, Chief Executive Officer since December 2003 and President since November 2002. Mr. Bradley has served as a director since June 2003. Prior to that, after joining the Company in 1994, Mr. Bradley served in various executive capacities, including those of General Counsel, Chief Operating Officer, and Secretary, and managed various departments of the Company, including Underwriting Operations and Safety Services. Prior to joining the Company, he was engaged in the private practice of law.

**Austin P. Young III**, age 67, has served as a director of the Company since November 2005. Mr. Young served as Senior Vice President, Chief Financial Officer, and Treasurer of CellStar Corporation, a logistics service provider to the wireless communications industry, from 1999 until his retirement in December 2001. From 1996 to 1999, he served as Executive Vice President-Finance and Administration of Metamor Worldwide, Inc. Mr. Young was also Senior Vice President and Chief Financial Officer of American General Corporation for more than eight years, and was a partner in the Houston and New York offices of KPMG LLP for 12 years before joining American General Corporation. Mr. Young currently serves as a Director and Chairman of the Audit Committees of Administaff, Inc. and Tower Group, Inc. He is a member of the Houston and State Chapters of the Texas Society of Certified Public Accountants, the American Institute of Certified Public Accountants, and Financial Executives International.

**Current Directors whose terms expire at the Annual Meeting in 2009**

**Thomas W. Hallagan**, age 46, has served as a director of the Company since May 2006. He is currently a private investor. Mr. Hallagan was Managing Director Head of U.S. Private Equity for Najeti Ventures, LLC, a private equity investment firm, from May 2002 until December 2005. Mr. Hallagan has served on numerous public and private company boards and was a certified public accountant with Deloitte Haskins + Sells.

**Millard E. Morris**, age 63, founded the Company in 1985, and was its Chairman, Chief Executive Officer, and principal shareholder until it was sold to a private investment group in 1997. He served on the Company's board of directors from 1985 until 2005, and was re-elected to the board of directors in June 2007. He has been the managing member of Dumont Management Group, LLC, a privately held company that provides management services to various affiliated finance and investment companies, since 1996. Millard E. Morris is the father of Jared A. Morris.

**Randy Roach**, age 57, has served as a director of the Company since March 2007. Mr. Roach has served as the Mayor of Lake Charles, Louisiana since 2000, and is a former member of the House of Representatives of the Louisiana Legislature. He continues to serve in state government as Vice-Chairman of the Governor's Advisory Commission On Coastal Restoration and Conservation. He has been a member of the Louisiana State Bar Association since 1976.

**Current Directors whose terms expire at the Annual Meeting in 2010**

**Jared A. Morris**, age 33, has served as director of the Company since September 2005. Since 2002, he has been an officer and a principal owner of Marine One Acceptance Corp., and Dumont Land, LLC, both of which are specialty finance companies. Since 2002 he has also served as an officer of Dumont Management Group, LLC, a privately held company that provides management services to various affiliated finance and investment companies. In 2008, he was elected to the board of directors of the First National Bank of DeRidder.

**Daniel Phillips**, age 61, is President and Chief Executive Officer of PAX, Inc., a supplier of fabricated heavy industrial steel to the petrochemical, petroleum refining, and power industries headquartered in Baton Rouge, Louisiana. Mr. Phillips founded PAX, Inc. in 1979, and has been an owner and officer of that company since that time.

**Sean M. Traynor**, age 39, has served as a director of the Company since April 2001. He is currently a general partner of Welsh, Carson, Anderson & Stowe, a private equity investment firm that he joined in 1999. Mr. Traynor also serves as a director for Universal American Financial Corporation, Select Medical Corporation, and several private companies.

**PROPOSAL 2**

**RATIFICATION OF APPOINTMENT OF**

**ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM FOR 2008**

The Audit Committee has appointed Ernst & Young LLP as the Company s independent registered public accounting firm for 2008. The Board is asking shareholders to ratify this appointment. Although SEC regulations and the Nasdaq listing requirements require the Company s independent registered public accounting firm to be engaged, retained, and supervised by the Audit Committee, the Board considers the selection of an independent registered public accounting firm to be an important matter to shareholders and considers a proposal for shareholders to ratify this appointment to be an opportunity for shareholders to provide input to the Audit Committee and the Board on a key corporate governance issue.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be offered the opportunity to make a statement if they so desire. They will also be available to answer questions.

*The Board recommends a vote FOR Proposal 2.*

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**THE BOARD, ITS COMMITTEES, AND ITS COMPENSATION**
**Board of Directors**

The Board presently consists of eight members, seven of whom are non-employee directors. The Board is currently divided into three classes with each class serving three-year terms. The term of one class expires at each annual meeting of shareholders of the Company.

**Director Compensation**

**Cash Compensation.** Effective January 1, 2008, each non-employee director of the Company receives an annual cash retainer of \$35,000. Directors who are employees of the Company do not receive additional compensation for serving as directors. The chairs of the Audit and Compensation Committees receive an additional annual cash retainer of \$15,000 and each other member of the Audit and Compensation Committees receives an additional annual cash retainer of \$5,000. The chairs of the Nominating and Corporate Governance Committee and the Investment Committee each receive an additional cash retainer of \$5,000. The Company reimburses all directors for reasonable out-of-pocket expenses incurred in connection with their service as directors.

**Stock-Based Compensation.** Under our Non-Employee Director Restricted Stock Plan, non-employee directors receive an annual award of restricted stock equal to \$15,000 divided by the closing price of our common stock on the date of the annual meeting of shareholders at which the non-employee director is elected or is continuing as a member of the Board. Non-employee directors that are first elected or appointed to the Board other than at an annual meeting of shareholders receive a pro rata restricted stock grant. In either case, these shares of restricted stock vest at the next annual meeting of shareholders.

The following table sets forth information regarding the compensation of our non-employee directors for the year ended December 31, 2007.

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Total
Thomas W. Hallagan	\$ 37,921	\$ 13,785	\$ 51,707
Jared A. Morris	40,000	13,786	53,786
Millard E. Morris (3)	16,417	8,205	24,622
Paul B. Queally (4)	8,750		8,750
Daniel Phillips (3)	16,417	8,205	24,622
Randy Roach (5)	27,079	10,698	37,777
Sean M. Traynor	35,000	13,786	48,786
Austin P. Young	45,000	13,786	58,787

- (1) The annual cash retainer for each of Mr. M. Morris, Mr. Phillips, Mr. Queally and Mr. Roach was prorated based on his term of service as a director during 2007.
- (2) On June 14, 2007, each non-employee director, other than Mr. Queally, was granted 849 shares of restricted stock. The grant date fair value of each award, calculated in accordance with Financial Accounting Standards Board Statement No. 123(R) (revised 2004), Share-Based Payment ( FAS 123R ), was \$14,993. The amounts shown represent the expense recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007, in accordance with FAS 123R, with respect to the shares of restricted stock granted in both 2006 and 2007. Pursuant to SEC rules, the amounts shown in this column exclude the impact of estimated forfeitures related to service-based vesting conditions. See Note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 for information regarding the assumptions made in determining these values. As of December 31, 2007, each non-employee director, other than Mr. Queally, held 849 shares of restricted stock.
- (3) Mr. M. Morris and Mr. Phillips were first elected directors at our 2007 annual meeting of shareholders.

- (4) Mr. Queally resigned from the Company's board of directors, effective March 1, 2007. On that date, Mr. Queally held 1,222 shares of restricted stock that were forfeited.
- (5) Mr. Roach was appointed as a director in March, 2007. He received 142 shares of restricted stock as a prorated grant under our Non-Employee Director Restricted Stock Plan upon his appointment to the Board. These shares of restricted stock vested on the date of our 2007 annual meeting of shareholders.

### **Corporate Governance**

The Board and senior management of the Company believe that one of their primary responsibilities is to promote a corporate culture of accountability, responsibility, and ethical conduct throughout the Company. Consistent with these principles, the Company has, among other things, adopted:

corporate governance guidelines that describe the principles under which the Board operates;

a code of business conduct and ethics applicable to all employees; and

written charters for its Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Investment Committee.

Our corporate governance guidelines, code of business conduct and ethics, and committee charters are available on the Company's website ([www.amerisafe.com](http://www.amerisafe.com)) in the Investor Relations section. Copies of these documents are also available upon written request to the Company's Secretary. The Company will post information regarding any amendment to, or waiver from, its code of business conduct and ethics on its website in the Investor Relations section.

The Board periodically reviews its corporate governance policies and practices. Based on these reviews, the Board may adopt changes to policies and practices that are in the best interests of the Company and as appropriate to comply with any new SEC or Nasdaq listing requirements.

### **Director Independence**

As part of the Company's corporate governance guidelines, the Board has established a policy requiring a majority of the members of the Board to be independent, as that term is defined in the Nasdaq listing requirements. The Board has determined that the current non-employee directors, Mr. Hallagan, Mr. J. Morris, Mr. M. Morris, Mr. Phillips, Mr. Roach, Mr. Traynor, and Mr. Young, are each independent of the Company and its management within the meaning of the Nasdaq listing requirements.

### **Board Meetings**

The Board held five meetings during 2007. Each incumbent director attended at least 75% of the total number of meetings of the Board and committees on which he served. Under the Company's corporate governance guidelines, each director is expected to devote the time necessary to appropriately discharge his responsibilities and to rigorously prepare for and attend and participate in all Board meetings and meetings of Board committees on which he serves.

The Board has established a policy that its independent directors meet in executive session, without members of senior management present, at each regularly scheduled meeting of the full Board. The chairs of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Investment Committee each preside as chair at meetings of independent directors at which the principal items to be considered are within the scope of the authority of the applicable committee. This approach is intended to provide leadership at all meetings of independent directors without the need to designate a single lead independent director.

### Annual Meetings of Shareholders

The Company's directors are encouraged to attend our annual shareholder meetings, however, we do not currently have a policy relating to directors' attendance at these meetings. Two members of the Board attended the 2007 annual shareholder meeting.

### Audit Committee

The Audit Committee presently consists of Mr. Young (Chair), Mr. J. Morris, and Mr. Roach. The Audit Committee oversees our accounting and financial reporting processes and the audits of the Company's financial statements. The functions and responsibilities of the Audit Committee include:

establishing, monitoring, and assessing the Company's policies and procedures with respect to business practices, including the adequacy of the Company's internal controls over accounting and financial reporting;

engaging the Company's independent registered public accounting firm and conducting an annual review of the independence of that firm;

pre-approving any non-audit services to be performed by the Company's independent registered public accounting firm;

reviewing the annual audited financial statements and quarterly financial information with management and the independent registered public accounting firm;

reviewing with the independent registered public accounting firm the scope and the planning of the annual audit;

reviewing the findings and recommendations of the independent registered public accounting firm and management's response to the recommendations of that firm;

overseeing compliance with applicable legal and regulatory requirements, including ethical business standards;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;

establishing procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

reviewing the adequacy of the Audit Committee charter on an annual basis; and

preparing the Audit Committee report to be included in our annual proxy statement.

The Audit Committee met seven times during 2007. Our independent registered public accounting firm reports directly to the Audit Committee. Each member of the Audit Committee has the ability to read and understand fundamental financial statements. The Board has determined that each member of the Audit Committee is independent as defined in the Nasdaq listing requirements. In addition, the Board has determined that Mr. Young, Mr. J. Morris, and Mr. Roach each satisfy the SEC requirements relating to independence of audit committee members. The Board has also determined that Mr. Young meets the requirements of an audit committee financial expert as defined by the rules of the SEC, based on

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his professional experience described in his biographical information found at page 3 of this proxy statement.

### **Compensation Committee**

The Compensation Committee consists of Mr. Traynor (Chair), Mr. Hallagan, Mr. M. Morris, and Mr. Phillips. The Compensation Committee has sole authority for establishing, administering, and reviewing the Company's policies, programs, and procedures for compensating our executive officers and the Board. Under its

charter, the Compensation Committee may delegate its responsibilities to a subcommittee comprised of Committee members. The functions and responsibilities of the Compensation Committee include:

evaluating the performance of and determining the compensation for the Company's executive officers, including its chief executive officer;

administering and making recommendations to the Board with respect to the Company's equity incentive plans;

overseeing regulatory compliance with respect to compensation matters;

reviewing and approving employment or severance arrangements with senior management;

reviewing director compensation policies and making recommendations to the Board;

reviewing the adequacy of the Compensation Committee charter on an annual basis; and

reviewing and approving the Compensation Discussion and Analysis and the Compensation Committee Report to be included in our annual proxy statement.

The Compensation Committee met four times during 2007. Each member of the Compensation Committee is independent under the Nasdaq listing requirements.

#### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee consists of Mr. J. Morris (Chair), Mr. Phillips, and Mr. Young. The functions and responsibilities of the Nominating and Corporate Governance Committee include:

developing and recommending corporate governance principles and procedures applicable to the Board and the Company's employees;

recommending committee composition and assignments;

identifying individuals qualified to become directors;

recommending director nominees;

recommending whether incumbent directors should be nominated for re-election to the Board; and

reviewing the adequacy of the Nominating and Corporate Governance Committee charter on an annual basis.



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Overseeing, at least annually, an evaluation of the performance of the Board and the Company's management in relation to the Company's Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee met five times during 2007. Each member of the Nominating and Corporate Governance Committee is independent under the Nasdaq listing requirements.

***Qualifications for Director Nominees.*** In considering nominees for election as director, the Nominating and Corporate Governance Committee considers a number of factors, including the following:

personal and professional qualities, characteristics, attributes, accomplishments, and reputation in the business community, insurance industry, and otherwise;

reputation in a particular field or area of expertise;

experience as a senior executive of a company or other organization of comparable size to the Company;

current knowledge and relationships in the markets and regions in which the Company does business and in the insurance industry and other industries relevant to the Company's business;

the ability to exercise sound business judgment;

the ability and willingness to commit to participate in activities of the Board, including attendance at, and active participation in, meetings of the Board and its committees;

the skills and personality of the nominee and how the Committee perceives the nominee will be a fit with existing directors and other nominees in maintaining a Board that is collegial and responsive to the needs of the Company and its shareholders;

the ability and willingness to represent the best interests of all of the Company's shareholders;

consistent demonstration of integrity;

increasing the diversity of viewpoints, background, and experience in addition to those of existing directors and other nominees; and

whether the nominee would meet the independence criteria of the Nasdaq listing requirements applicable to the Company and the rules promulgated by the SEC.

The Nominating and Corporate Governance Committee will also consider other criteria for director candidates included in its committee charter, the Company's corporate governance guidelines, or as may be established from time to time by the Board. The Nominating and Corporate Governance Committee will identify nominees based upon recommendations by members of the committee or other Board members, members of the Company's management, or, as discussed below, by shareholders of the Company. Upon identification of a potential nominee, members of the Nominating and Corporate Governance Committee will interview the candidate, and based upon that interview, the Committee will make its recommendation to the Board.

**Shareholder Recommendations.** The Nominating and Corporate Governance Committee will evaluate any director candidates recommended by a shareholder according to the same criteria as a candidate identified by the Nominating and Corporate Governance Committee. The Company has never received a recommendation for director candidates from our shareholders. In considering director candidates recommended by shareholders, the Nominating and Corporate Governance Committee will also take into account such additional factors as it considers relevant, including:

the personal and professional qualities, characteristics, attributes, accomplishments, and reputation of the candidate being submitted for consideration;

the investment the shareholder submitting the director candidate has in the Company;

the length of time that the submitting shareholder has been a shareholder of the Company; and

whether the director candidate is independent as determined in accordance with the rules promulgated by the SEC, the Nasdaq listing requirements and the Company's corporate governance guidelines.

Shareholders may recommend candidates at any time, but to be considered by the Nominating and Corporate Governance Committee for inclusion in the Company's proxy statement for the next annual meeting of shareholders, recommendations must be submitted in writing no later than 150 calendar days before the first anniversary of the date on which the Company first mailed its proxy materials for the prior year's annual meeting of shareholders. A shareholder's notice must contain the following:

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the name of the shareholder recommending the director candidate for consideration, the name of the director candidate, and the written consent of the shareholder and the director candidate to be publicly identified;

a written statement by the director candidate agreeing to be named in the Company's proxy materials and to serve as a member of the Board (and any committee of the Board to which the director candidate is assigned to serve by the Board) if nominated and elected;

a written statement by the shareholder and the director candidate agreeing to make available to the Nominating and Corporate Governance Committee all information reasonably requested in connection with the Nominating and Corporate Governance Committee's consideration of the director candidate; and

the director candidate's name, age, business and residential address, principal occupation or employment, number of shares of the Company's common stock and other securities beneficially owned, a resume or similar document detailing personal and professional experiences and accomplishments, and all other information relating to the director candidate that would be required to be disclosed in a proxy statement or other filing made in connection with the solicitation of proxies for the election of directors pursuant to the Securities Exchange Act of 1934, as amended, the rules of the SEC and the listing requirements and other criteria established by Nasdaq.

The shareholder's notice must be signed by the shareholder recommending the director candidate for consideration and sent to the following address: AMERISAFE, Inc., 2301 Highway 190 West, DeRidder, Louisiana 70634, Attn: Corporate Secretary (Nominating and Corporate Governance Committee Communication / Director Candidate Recommendation).

### **Investment Committee**

The Investment Committee consists of four directors, Mr. Hallagan (Chair), Mr. Bradley, Mr. M. Morris, and Mr. Roach. The functions and responsibilities of the Investment Committee include:

establishing a written investment policy for the Company consistent with our strategies, goals, and objectives, which investment policy and any amendments must be reviewed and approved by the Board of Directors;

reviewing the investment strategy relative to our investment policy;

reviewing the performance of our external investment managers; and

reviewing our investment activities and performance at least quarterly.

The Investment Committee met seven times in 2007.

### **Communications with the Board**

Any shareholder or other interested party who wishes to communicate directly with the Board or any of its members may do so by writing to: Board of Directors, c/o AMERISAFE, Inc., 2301 Highway 190 West, DeRidder, Louisiana 70634, Attn: Corporate Secretary. The mailing envelope should clearly indicate whether the communication is intended for the Board as a group, the non-employee directors or a specific director.

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## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Program Objectives

Our compensation program is intended to attract, retain, and motivate the key people necessary to lead our Company to achieve its strategic objective of increasing shareholder value over the long term. Our Compensation Committee believes that executive compensation should seek to align the interests of the Company's executives and other key employees with those of our shareholders. Our compensation program is also designed to differentiate compensation based upon individual contributions and performance.

In establishing compensation, the Compensation Committee seeks to provide employees, including our executive officers, with a competitive total compensation package. The Compensation Committee sets compensation in this manner to ensure that our compensation practices do not put the Company at a competitive disadvantage in retaining and attracting executives and other employees while ensuring an appropriate cost structure for our Company.

### Compensation Committee

Our compensation program for executives is designed and implemented under the direction of our Compensation Committee, which is composed of four independent directors. For additional information regarding our Compensation Committee, its authority, and responsibilities, see *The Board, Its Committees, and Its Compensation* Compensation Committee on page 7 of this proxy statement.

In early 2007, the Compensation Committee retained Schiffers Associates, a compensation consulting firm, to assist the Committee in evaluating our annual incentive compensation program. Sean M. Traynor, the Chairman of our Compensation Committee, recommended the retention of this firm.

### *Executive Compensation Programs and Policies*

The components of our executive compensation program provide for a combination of fixed and variable compensation. As described in more detail below, these components are:

base salary;

annual incentive compensation;

long-term equity incentive compensation;

broad-based employee benefits; and

severance benefits and limited other perquisites.

*Base Salary.* Base salaries are determined on the basis of management responsibilities, level of experience, and tenure with our Company, as well as internal and market comparisons. In setting base salaries for the executive officers of the Company, the Compensation Committee seeks to provide a reasonable level of fixed compensation that we believe is competitive with base salaries for comparable positions at similar companies. At the request of the Committee, Allen Bradley, our chief executive officer, makes annual recommendations with respect to changes in base salary for our executive officers, other than for himself, as well as other members of the senior management. Neither our chief executive officer nor any other executive officer participates in the Committee's decisions regarding the base salaries of our executive officers.

*Annual Incentive Compensation.* The Committee believes annual incentive compensation is a key element of the total compensation of each executive officer. The Committee also believes that placing a significant portion of executive compensation at risk each year, subject to the results of Company and individual performance,



appropriately motivates executives to achieve the Company's financial and other objectives, thereby enhancing shareholder value. Annual incentive compensation is intended to link the near-term financial interest of the executives to that of the Company and its shareholders. As an executive or other key employee progresses to greater levels of responsibility within the Company, the Committee believes that the annual incentive award should represent an increasing portion of potential annual compensation. Although the Committee has retained discretion in establishing incentive awards, it has established target awards of up to 100% of base salary for our chief executive officer and up to 60% of base salary for each of our other executive officers.

For 2007 and prior years, the Company maintained a discretionary annual incentive program administered by the Compensation Committee. This program did not use specific performance targets or formulas to determine the incentive award for our executive officers. Awards were considered annually, following the completion of the audit of the Company's financial statements for the preceding fiscal year. In making awards, the Committee considered both Company performance and the individual contributions of those eligible to receive an award. At the Committee's request, our chief executive officer made initial recommendations with respect to incentive awards to executive officers, other than for himself. However, neither our chief executive officer nor any other executive officer participates in the Compensation Committee's decisions relating to these awards.

In assessing the Company's performance for the purpose of determining annual incentive compensation for 2007, the Committee primarily focused on gross premiums written, combined ratio, and return on average equity, along with other relevant measures of Company financial performance and the general business environment in which the Company operated.

At the recommendation of the Compensation Committee, in February 2008, the Board adopted a Management Annual Incentive Plan (Annual Incentive Plan). The Annual Incentive Plan was developed by the Compensation Committee with the assistance of Schiffers Associates, a compensation consulting firm. The Annual Incentive Plan will be administered by the Committee. Under the Annual Incentive Plan, annual awards will be made based on both Company financial objectives and individual performance goals.

The Committee has not adopted a formal policy regarding recovery of incentive awards for fiscal years for which financial results are later restated. While not anticipated, the Committee would expect to consider any restatement in establishing incentive and other compensation awards for executives in future periods.

*Long-term Incentive Compensation.* In connection with our initial public offering in November 2005, the Board and our shareholders approved our Equity Incentive Plan. The Equity Incentive Plan is administered by the Committee and is designed to provide incentive compensation to executive officers and other key employees. Grants of stock options under the Equity Incentive Plan are designed to align the interests of management with those of our shareholders and are intended as a long-term incentive for future performance. To date, all option grants that have been awarded under our Equity Incentive Plan have been non-qualified stock options, thereby providing us with the ability to realize tax benefits upon the exercise of these option awards. The Committee also views these awards as an additional means to encourage management retention.

The Compensation Committee has not addressed the issue of whether the value of existing equity awards should be considered in the context of future awards. However, our Compensation Committee intends to make appropriate executive compensation decisions annually, so that our executives receive a total compensation package that is competitive and has a significant component that is at risk. When making equity-based incentive awards, the Committee takes into consideration the dates on which the Company expects to make public announcements regarding earnings as well as other events or circumstances that have not been publicly announced that may be deemed material to the Company, our shareholders, and other investors. The increase in the value of equity awards is directly linked to an increase in shareholder return, subject to continued employment by our executives with respect to unvested equity awards. The Committee believes, as a general matter, that this positive result should not negatively impact future compensation decisions.

*Employee Benefits.* We do not provide our executives or other employees with defined pension benefits, supplemental retirement benefits, post-retirement payments, or deferred compensation programs. We do provide a 401(k) defined contribution plan that is available to all employees. We match 50% of employee contributions up to 4% of compensation for participating employees subject to limitations under applicable law. Our executives and other employees are fully vested in Company contributions to this plan after five years. We also provide health, life, and other insurance benefits to our executives on the same basis as our other full-time employees.

*Severance and Change-in-Control Benefits.* We have employment agreements with each of our executive officers. Among other things, these employment agreements provide each executive officer with severance compensation consisting of cash severance payments paid in installments, and continued health benefits for a period of 12 months (18 months for our chief executive officer), in the event that an executive's employment is terminated by us without cause or by the executive under certain circumstances. The cash severance payment for the covered executives (other than our chief executive officer) is an amount equal to the officer's then current annual base salary plus the average annual incentive award received by the executive in the prior three years. For our chief executive officer, the cash severance payment is 1.5 times the amount described in the preceding sentence. These employment agreements also provide that the terminated executive will not engage in activities that are competitive with our business for 12 months (18 months for our chief executive officer). For additional information regarding the employment agreements with our executives, see *Executive Compensation Employment Agreements* on page 18 of this proxy statement.

Under the terms of our Equity Incentive Plan and the related award agreements, unvested stock options and restricted stock awards become fully vested upon a change in control of the Company. Under the Annual Incentive Plan our executives would be entitled to receive a prorated portion of the executive's target incentive award for the year in which a change in control occurs.

The Compensation Committee believes that these benefits are necessary and appropriate in order to attract and retain qualified executive officers insofar as these benefits are generally made available by other companies. In addition, the Compensation Committee recognizes that it may be difficult for our executive officers to find comparable employment in a short period of time and therefore these benefits address a valid concern, making an executive position with our Company more attractive. These issues are particularly significant to us, given that our corporate headquarters are not located in a major metropolitan area and it is unlikely that our executives could secure comparable employment without relocating to another city.

*Executive Perquisites.* Executive compensation also includes a limited number of perquisites that have historically been provided to our executives and that the Committee believes enhance our ability to attract and retain qualified executives. These perquisites include car allowances, reimbursement for annual medical examinations and limited club memberships. Our executive officers are also permitted to accrue unused vacation on a basis more favorable than other Company employees. Our employees (other than executive officers) are permitted to accrue up to 150% of their annual vacation time. Our executive officers are permitted to accrue up to 200 hours of vacation, a limit slightly higher than that available to employees with more than ten years of service. The Compensation Committee believes that this policy is appropriate given that the management responsibilities of our executive officers often do not permit them the flexibility to utilize their vacation time on an annual basis. For additional information regarding perquisites provided to our executives, see *Executive Compensation All Other Compensation* on page 18 of this proxy statement.

*Stock Ownership Guidelines.* The Compensation Committee encourages ownership of our common stock by our executive officers and other key employees. As described below, in each of the prior three years the Committee has paid a portion of the annual incentive award to our executive officers in restricted stock to increase share ownership by management. We do not currently have a policy that requires our executives to own a specific number of shares, or dollar amount, of our common stock, nor do we require our executives to retain any specific percentage of any restricted stock award upon vesting or shares received upon exercise of options.



*No Tax Gross-Up Payments.* We do not provide, and no executive officer is entitled to receive, any tax gross-up payments in connection with compensation, severance, perquisites, or other benefits provided by the Company.

*Internal Revenue Code Section 162(m).* Section 162(m) of the Internal Revenue Code provides that compensation in excess of \$1 million paid to the chief executive officer or to any of the other three most highly compensated executive officers (other than the chief financial officer) of a public company is not deductible for federal income tax purposes unless the compensation qualifies as performance based compensation. Awards of stock options granted under our Equity Incentive Plan are intended to qualify for deduction under federal tax law and regulation. The Committee reviews on an annual basis the potential impact of this deduction limitation on executive compensation. Based on current compensation levels, the Committee presently believes that no action is necessary at this time. The Compensation Committee intends to continue to evaluate the Company's potential exposure to this deduction limitation.

**2007 Compensation**

*Compensation Surveys.* Under the direction of the Compensation Committee, in 2006, management performed a survey (the 2006 Survey) of base compensation for positions comparable to those of the Company's executive officers at other property and casualty insurance companies. The 2006 Survey group consisted of 14 publicly traded insurance companies with reported gross revenues for 2005 comparable to those of our Company. The companies in the 2006 Survey group were:

Affirmative Insurance Holdings, Inc.

Mercer Insurance Group, Inc.

Atlantic American Corporation

North Pointe Holdings Corporation

Bristol West Holdings, Inc.

ProCentury Corporation

Direct General Corporation

RTW, Inc.

EMC Insurance Group, Inc.

SeaBright Insurance Holdings, Inc.

James River Group, Inc.

Specialty Underwriters Alliance, Inc.

Meadowbrook Insurance Group, Inc.

Tower Group, Inc.

At the end of 2007, at the direction of the Compensation Committee, management undertook a second survey (the 2007 Survey) of compensation practices and levels at a selected group of peer companies, all but one of which had been part of the 2006 Survey. The six companies in the 2007 Survey are all publicly traded insurance companies. They include three companies that, like our Company, derive their revenue almost exclusively from the workers' compensation insurance business. The other three companies surveyed in the 2007 Survey derive most of their revenue from the insurance business, although not from workers' compensation insurance. The six companies selected for the 2007 Survey had mean gross revenue in 2006 of \$318 million, compared to our Company's \$332 million. The companies in the 2007 Survey group were:

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Affirmative Insurance Holdings, Inc.

Meadowbrook Insurance Group, Inc.

AmCOMP, Inc.

SeaBright Insurance Holdings, Inc.

EMC Insurance Group, Inc.

Tower Group, Inc.

*Base Salary.* Based on the 2006 Survey, the Compensation Committee concluded that our chief executive officer's base salary was significantly below the 50th percentile of chief executive officer base salary at the survey companies, and that our chief financial officer's base salary was also somewhat below the 50th percentile for that position at the survey companies. The 2006 Survey results were inconclusive with respect to the base salary of Mr. Leach, as there were few comparable positions for which compensation was reported at the companies included in the 2006 Survey group. Mr. Narigon and Mr. Walker had not accepted their positions with the Company at the time the 2006 Survey was completed.

