

AMERISAFE INC
Form DEF 14A
April 26, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
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)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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April 26, 2019

Dear AMERISAFE Shareholder:

You are cordially invited to attend the annual meeting of shareholders of AMERISAFE, Inc. The meeting will be held on Friday, June 14, 2019, 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, including the nominees for election as directors and the other proposals to be considered is presented in the following notice of annual meeting and proxy statement. At the meeting, management will report on the Company's operations during 2018 and comment on our outlook for the remainder of 2019. The report will be followed by a question and answer period.

We hope that you will attend the annual meeting. It is important that your shares be represented. Accordingly, please vote using the internet or telephone procedures described on the proxy card or sign, date and promptly mail the enclosed proxy card in the enclosed pre-addressed, postage-paid envelope.

Danny Phillips has served as a member of the AMERISAFE Board since 2007. He recently announced that he would retire as a director at the Annual Meeting. As a business owner, his experience and perspective has been an invaluable resource to the Company. On behalf of the Board and all our employees, I want to thank Danny for his years of service to AMERISAFE.

We look forward to seeing you at the meeting on June 14th.

Sincerely,

Jared A. Morris

Chairman

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on June 14, 2019

The 2019 annual meeting of shareholders of AMERISAFE, Inc. (the Company) will be held on June 14, 2019, 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 2022 annual meeting of shareholders;
2. to conduct an advisory vote on the Company's executive compensation;
3. to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2019; and
4. 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. Also enclosed is the Company's annual report for the year ended December 31, 2018. Holders of record of the Company's common stock as of the close of business on April 17, 2019 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, please describe your needs on the enclosed proxy card.

By Order of the Board of Directors,

Kathryn H. Shirley

Executive Vice President,

General Counsel and Secretary

DeRidder, Louisiana

April 26, 2019

IMPORTANT

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

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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 2019 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 act upon the matters specified in the accompanying notice of annual meeting. This proxy statement and the enclosed proxy card are being mailed to shareholders on or about May 2, 2019.

Record holders of the Company's common stock as of the close of business on April 17, 2019 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 17, 2019, there were 19,274,980 shares of common stock outstanding.

You cannot vote your shares unless you are present at the Annual Meeting or you have properly executed your proxy. You can vote by proxy in one of three convenient ways:

by internet: visit the website shown on your proxy card and follow the instructions;

by telephone: dial the toll-free number shown on your proxy card and follow the instructions; or

in writing: sign, date, and return the enclosed proxy card in the enclosed pre-addressed, postage paid envelope. You may revoke your proxy at any time prior to the vote at the Annual Meeting 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.

Unless revoked as described above, all properly executed proxies 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 represented by your proxy will be voted:

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FOR the election of two directors to serve until the 2022 annual meeting of shareholders;

FOR the approval of the compensation of our executive officers, as disclosed in this proxy statement;

FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2019; 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 held in street name and you do not instruct your broker how to vote your shares using the instructions your broker provides you, your shares will be voted in the ratification of the appointment of Ernst & Young as the Company's independent registered public accounting firm for 2019, but not for any other proposal. To be sure your shares are voted in the manner you desire, you should instruct your broker how to vote your shares.

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Holders of a majority of the outstanding shares of the Company's common stock must be present, either in person or by proxy, to constitute a quorum necessary to conduct the Annual Meeting. Abstentions and broker non-votes are counted for purposes of determining a quorum and are considered present and entitled to vote.

The following table sets forth the voting requirements, whether broker discretionary voting is allowed and the treatment of abstentions and broker non-votes for each of the matters to be voted on at the Annual Meeting.

		Vote Necessary to	Broker Discretionary	Treatment of Abstentions and
Proposal		Approve Proposal	Voting Allowed?	Broker Non-Votes
No. 1	Election of directors	Plurality (that is, the largest number) of the votes cast; provided that any director that does not receive a majority of the votes cast is required to submit his or her resignation	No	Abstentions and broker non-votes are not considered votes cast and will have no effect
No. 2	Advisory vote on executive compensation	Affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the matter	No	Abstentions will have the effect of a vote cast against the matter and broker non-votes are not considered votes cast
No. 3	Ratification of the appointment of Ernst & Young	Affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the matter	Yes	Abstentions will have the effect of a vote cast against the matter

The Company pays the costs of soliciting proxies. We have engaged Georgeson, Inc. to serve as our proxy solicitor for the Annual Meeting at a base fee of \$8,500 plus reimbursement of reasonable expenses. Georgeson will conduct our broker search, solicit banks, brokers, institutional investors and hedge funds to determine voting instructions, monitor voting and deliver executed proxies to our voting tabulator. Our employees also 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 related expenses. Proxies are solicited to provide all record holders of the Company's common stock an opportunity to vote on the matters to be presented at the Annual Meeting, even if they cannot attend the meeting in person.

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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 2022. This section of the proxy statement contains information relating to the 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 Teri G. Fontenot and Jared A. Morris. Both currently serve as directors.

On February 25, 2019 V. Daniel Phillips, a current member of our Board, announced that he would retire as a director effective at the Annual Meeting. With Mr. Phillip s retirement, the size of the Board will be reduced from eight members to seven members.

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

Nominees to be elected for terms expiring at the Annual Meeting in 2022

Teri G. Fontenot, age 65, has served as a director of the Company since January 2016. Ms. Fontenot served as President and Chief Executive Officer of Woman s Hospital from 1996 until her retirement in March 2019. Upon her retirement, Ms. Fontenot was named Chief Executive Officer Emeritus. Ms. Fontenot recently served for six years on the American Hospital Association Board and was the chair in 2012. Ms. Fontenot has served as a director for LHC Group, Inc. since March 2019.

Ms. Fontenot brings to the Board substantial experience as a former chief executive officer and chief financial officer of healthcare institutions and as chair of an insurance provider for over ten years. She is also an inactive certified public accountant. Her experience in the healthcare and insurance industries provide her with valuable insight into the issues affecting the Company and our policyholders. This experience enables her to serve on the Audit Committee as an audit committee financial expert.

Jared A. Morris, age 44, has served as a director of the Company since 2005. He served as our lead director from November 2012 until he was appointed Chairman of the Board in April 2016. Since 2002, he has been an officer and a principal owner of Marine One Acceptance Corporation 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. He serves on the board of directors of First National Bank of DeRidder and Beauregard Health System. Jared A. Morris is the son of Millard E. Morris.

Jared A. Morris is currently our Chairman of the Board and the former chair of the Nominating and Corporate Governance Committee. In these capacities, he has taken a lead role in developing and maintaining the Company s corporate governance policies and practices. His experience and training in financial and credit management, as well as business investment, enhance the Board s business sophistication.

Current directors whose terms expire at the Annual Meeting in 2020

Michael J. Brown, age 55, has served as a director of the Company since November 2014. Mr. Brown serves as Chair of the Compensation Committee. Mr. Brown is the Vice Chairman and Chief Operating Officer of Iberiabank Corp., a position he has held since September 2009. In that role, he manages Iberiabank s retail and commercial banking operations. From 2001 to 2009, Mr. Brown served as Senior Executive Vice President of Iberiabank Corp. Prior to joining Iberiabank in 1999, Mr. Brown was a managing director with Bank One Capital Markets.

Mr. Brown s experience in the financial services industry in a number of the Company s key markets makes him well qualified to serve as a director of the Company.

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G. Janelle Frost, age 48, has served as a Director since April 2016. Ms. Frost has served as the Company's Chief Executive Officer since April 2015 and President since September 2013. Prior to becoming Chief Executive Officer, Ms. Frost served as Chief Operating Officer from May 2013 to April 2015. She served as Executive Vice President and Chief Financial Officer from November 2008 to April 2013 and Controller from May 2004 to November 2008. She has been employed with the Company since 1992. Ms. Frost currently serves as chair of the board of directors of the New Orleans Branch of the Federal Reserve Bank of Atlanta.

Ms. Frost's over 25 years of experience with the Company and her performance in numerous roles with the Company gives her in-depth knowledge of the Company's business and insurance industry. Her tenure with the Company provides valuable insight about operational and strategic matters impacting the Company.

Current directors whose terms expire at the Annual Meeting in 2021

Philip A. Garcia, age 62, has served as a director of the Company since 2010. Mr. Garcia serves as Chair of the Audit Committee. He retired from the Erie Insurance Group in April 2009, where he served as Executive Vice President and Chief Financial Officer for the final 12 years of his 28-year career with that company. Mr. Garcia was a director of Donegal Group Inc. from December 2009 to May 2011.

Mr. Garcia possesses a strong background in financial, accounting and investment management with a publicly traded property and casualty insurance company, as evidenced by his prior service as Chief Financial Officer of Erie Insurance Group. He brings substantial experience in the insurance industry to the Board, including a strategic understanding of the operations of a property and casualty insurance company, as well as an understanding of the current economic and other challenges facing our industry. His experience enables him to serve on the Audit Committee as an audit committee financial expert.

Millard E. Morris, age 74, founded the Company in 1985. He was our Chairman, Chief Executive Officer and principal shareholder until the Company was sold to a private investment group in 1997. He served on the Company's Board from 1985 until 2005, when he voluntarily retired from our Board prior to the Company's initial public offering. Mr. Morris was re-elected to the Board in June 2007. Mr. Morris serves as Chair of the Risk Committee. From 1996 until 2015, he served as the managing member of Dumont Management Group, LLC, a privately held company that provides management services to various affiliated finance and investment companies. Millard E. Morris is the father of Jared A. Morris.

Millard E. Morris's experience as founder of the Company and his long-term service as a director give him unique knowledge of the opportunities and challenges associated with the Company's business. His familiarity with the Company and the insurance industry make him uniquely qualified to serve as a director of the Company.

Randall E. Roach, age 67, has served as a director of the Company since March 2007. Mr. Roach serves as Chair of the Nominating and Corporate Governance Committee. Mr. Roach retired as the Mayor of Lake Charles, Louisiana in 2017, an office he had held since 2000. Prior to assuming his duties as Mayor, Mr. Roach was engaged in the practice of law focusing on real estate and commercial law. Mr. Roach has been a member of the Louisiana State Bar Association since 1976. He is a director of The First National Bank of Louisiana, Financial Corporation of Louisiana and Kimira, Inc. He is also a former member of the House of Representatives of the Louisiana Legislature.

Mr. Roach's experience as a government official brings valuable insight to the Board given that the Company operates in a highly regulated industry. Mr. Roach's background as an attorney, legislator and government official is particularly helpful in his role as a member of the Nominating and Corporate Governance Committee.

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PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Securities Exchange Act of 1934 (the Exchange Act), we are submitting the compensation of our executive officers as disclosed in this proxy statement to our shareholders for an advisory vote. Our Board has adopted a policy to hold annual advisory votes on executive compensation. Our next advisory vote on the frequency of shareholder votes on executive compensation will take place at our annual meeting of shareholders in 2023.

As described below under the heading *Compensation Discussion and Analysis*, we seek to offer our employees, including our executive officers, with a competitive pay package that rewards individual contributions, performance and experience with our Company, while aligning the interests of our executive officers and other key employees with those of the Company's shareholders. The Compensation Committee sets compensation in this manner to ensure that our compensation practices do not put the Company at a disadvantage in attracting and retaining executives and other employees, while also ensuring a competitive cost structure for our Company.

The vote on this proposal is not intended to address any specific element of compensation. Rather, the vote relates to the compensation of our executive officers, as described under the headings *Compensation Discussion and Analysis* and *Executive Compensation* in this proxy statement. The vote is advisory, which means that the vote is not binding on the Company, our Board of Directors or the Compensation Committee. However, the Compensation Committee expects to consider the outcome of this advisory vote in evaluating whether any actions are appropriate with respect to our compensation programs for our executive officers.

The Board recommends a vote FOR the approval of the compensation of our executive officers.

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PROPOSAL 3

RATIFICATION OF APPOINTMENT OF

ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019

The Audit Committee has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for 2019. The Board is asking shareholders to ratify this appointment. 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. However, the Board considers the selection of an independent registered public accounting firm to be an important matter to shareholders. Accordingly, the Board 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 respond to appropriate questions. For additional information regarding our independent registered public accounting firm, see *Independent Public Accountants*.

*The Board recommends a vote FOR the ratification of Ernst & Young LLP
as the Company's independent registered public accounting firm.*

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The Board presently consists of seven non-employee directors and one employee director. The Board is divided into three classes, with each class serving three-year terms. The term of one class expires at each annual meeting of shareholders.

Director Compensation

The elements of compensation payable to our non-employee directors in 2018 are briefly described below.

Board Service:

Annual cash retainer	\$ 50,000
Annual restricted stock award	50,000

Board Committee Service:

Chairman annual retainer	\$ 45,000
Audit Committee Chair annual cash retainer	20,000
Compensation Committee Chair annual cash retainer	10,000
Nominating and Corporate Governance Committee Chair annual cash retainer	10,000
Risk Committee Chair annual cash retainer	7,500
Committee member annual cash retainer	5,000
Committee meeting fee (for each meeting in excess of five meetings)	1,000

Committee Chairs do not receive annual cash retainers for being members of the committees they chair. Meeting fees are not paid for attendance at the first five committee meetings during the year. Directors do not receive additional compensation for serving on our Risk Committee. The Company reimburses directors for reasonable out-of-pocket expenses incurred in connection with their service as directors. Any director who is an employee of the Company does not receive additional compensation for serving as a director.

The amount of restricted stock granted to each non-employee director is equal to \$50,000 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 continues to be a member of the Board. The shares of restricted stock granted to non-employee directors vest at the next annual meeting of shareholders. If a non-employee director is first elected or appointed to the Board at a time other than at an annual meeting of shareholders, the non-employee director is awarded a prorated initial restricted stock grant at that time. Awards to non-employee directors are made under the Director Plan.

On June 8, 2018, each non-employee director was granted 823 shares of restricted stock.

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The following table provides information regarding the compensation of our non-employee directors for the year ended December 31, 2018.

Name	Fees Earned or		Total
	Paid in Cash	Stock Awards (1)	
Michael J. Brown	\$ 69,000	\$ 49,997	\$ 118,997
Teri G. Fontenot	61,000	49,997	110,997
Philip A. Garcia	79,000	49,997	128,997
Jared A. Morris	113,000	49,997	162,997
Millard E. Morris	57,500	49,997	107,497
V. Daniel Phillips	55,000	49,997	104,997
Randall E. Roach	67,000	49,997	116,997

- The grant date fair value of each award, calculated in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 (Topic 718), was \$49,997. Pursuant to SEC rules, the amounts shown in this column exclude the impact of estimated forfeitures related to service-based vesting conditions. See Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 for information regarding the assumptions made in determining these values. As of December 31, 2018, each non-employee director held 823 shares of restricted stock.

Non-Employee Director Stock Ownership and Retention Guidelines

Our Board recognizes that ownership of common stock is an effective means to align the interests of our directors with those of our shareholders. The following is a summary of our stock ownership and retention guidelines for our non-employee directors.

Non-Employee Director Stock Ownership Guidelines. Non-employee directors are expected to acquire and hold during their Board service shares of our common stock equal in value to at least three times the annual cash retainer paid to our directors, or \$150,000. Non-employee directors have five years from their initial election to the Board to meet these ownership guidelines.

Non-Employee Director Retention Guidelines. Directors are expected to continuously own sufficient shares to meet the guidelines once attained. Until a director meets the ownership guidelines, the director will be required to hold 75% of the shares of common stock received from any equity award, net of any shares used to pay the exercise price or tax withholding. If a director attains compliance with the stock ownership guideline and subsequently falls below the guideline because of a decrease in the price of our common stock, the director will be deemed in compliance provided that the director retains the shares then held.

The following table provides the equity ownership of each of our non-employee directors as of December 31, 2018, measured in dollars. Ownership was calculated based on a price of \$56.69 per share, the closing price of the Company's common stock on December 31, 2018, the last trading day of the year.

Non-Employee Director	Total Ownership
Michael J. Brown	\$ 216,612
Teri G. Fontenot	\$ 173,925
Philip A. Garcia	\$ 640,767
Jared A. Morris	\$ 4,220,684
Millard E. Morris	\$ 6,139,584
V. Daniel Phillips	\$ 917,244
Randall E. Roach	\$ 477,443

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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;

written charters for each of its standing committees;

a majority voting and director resignation policy that requires any director nominee who receives a greater number of votes withheld or against his or her election than votes for his or her election to tender his or her resignation as a director;

a policy regarding the recovery of incentive compensation in the event of a restatement of the Company's financial statements filed with the SEC or any state authority;

policies prohibiting our directors and executive officers from hedging or pledging our common stock;

a policy regarding Rule 10b5-1 trading plans requiring, among other things, that each plan be approved by the Company's General Counsel and provided to the Chair of the Nominating and Corporate Governance Committee, or NCG Committee, for review prior to approval; each plan must provide for a minimum 30-day waiting period between the execution of the plan and the initial trade under the plan;

a conflict of interest policy applicable to all employees; and

a policy regarding related party transaction oversight and approval.

Our corporate governance guidelines, code of business conduct and ethics, committee charters, majority voting and director resignation policy and certain other governance policies are available on the Company's website (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.

Management regularly meets with shareholders and potential investors. In those meetings, investors and shareholders express their views regarding the Company's executive compensation practices and corporate governance policies. Management reports to the Board and the NCG Committee regarding the discussions at these meetings. The NCG Committee and the Board periodically review the Company's corporate governance policies and practices. Based on these reviews, input from shareholders and recommendations from the NCG Committee, the Board adopts changes to policies and practices that it believes are in the best interests of the Company, including complying with any new SEC or Nasdaq listing requirements.

The NCG Committee intends to continue to periodically review the Company's corporate governance policies, taking into consideration, among other things, the views of our shareholders and developments in the governance practices of other public companies.

Corporate Responsibility

AMERISAFE is defined by its corporate culture of helping to provide security for employers and their injured employees through the insurance coverage and services we offer, by paying legitimate claims to injured workers promptly and fairly during their time of need, by encouraging and supporting our employees to be actively engaged in the communities in which they live, investing in our employees and minimizing the impact we have on the environment. AMERISAFE manages its business with the goal of responsibly delivering long-term value to all of the Company's stakeholders by adhering to the philosophy that good stewardship is good business.

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Environmental

Starting early in the decade, AMERISAFE initiated a program to reduce the use and storage of paper and focus on migrating our records to electronic form. This has decreased our usage of paper and ink, increased efficiency, and saved money for the Company. Additionally, the Company has focused on increasing recycling of paper and other materials.

Social

The Communities We Serve. We actively engaged and supported local communities through agencies such as United Way, the Community Foundation of Southwest Louisiana and the Southwest Louisiana Economic Development Alliance. The Company supports numerous other charitable and social organizations in the communities in which we operate. To encourage a culture of giving back to the Communities in which we operate, the Company allows all employees time off for volunteer activities.

The Company has also established an endowment to provide scholarships to dependents of our employees and members of the community in which we do business, recognizing the importance of education of future generations.

Our Employees. Beginning in 2017, the Company began a partnership with the Community Foundation of Southwest Louisiana to provide tax-free assistance to employees that have experienced a catastrophic event through an employee assistance fund. In addition to funding from the Company, this fund also allows employees to make a monetary donation to assist their fellow employees.

AMERISAFE also provides employees time off for annual wellness exams, reimbursements of health club memberships, confidential counseling services, quarterly wellness luncheons and an annual health fair to promote a culture of wellness.

Board Leadership

The Board appointed Jared A. Morris as Chairman of the Board in April 2016. As Chairman, his key responsibilities include:

calling meetings of directors and independent directors;

presiding at the annual meeting, meetings of the Board, including executive sessions of the independent directors;

acting as liaison between the board and management;

overseeing the preparation of proxy materials;

working with the NCG Committee to ensure proper committee structure, including reviewing committee and committee chair assignments, and the effectiveness of the Board;

approving the quality, quantity, appropriateness and timeliness of information sent to the Board as well as setting meeting agendas;

facilitating the Board's approval of the number and frequency of Board and committee meetings as well as meeting schedules to assure that there is sufficient time for discussion of all agenda items; and

any such other actions or duties deemed necessary by the Board.

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Our Corporate Governance Guidelines do not require that the roles of Chairman of the Board and Chief Executive Officer be held by different persons, as the Board believes that effective board leadership structure can be dependent on the experience, skills and personal interaction among individuals in leadership roles. These leadership roles are currently filled separately by our non-executive Chairman of the Board, Jared A. Morris, and

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by our Chief Executive Officer, G. Janelle Frost. The Board believes this leadership structure affords the Company an effective combination of management and non-management experience, continuity and independence that currently serves the Board and the Company well.

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 each of its current non-employee directors, Mr. Brown, Ms. Fontenot, Mr. Garcia, Mr. J. Morris, Mr. M. Morris, Mr. Phillips, and Mr. Roach, is independent of the Company and its management within the meaning of the Nasdaq listing requirements.

In determining that Mr. Phillips is independent, the Board considered that Mr. Phillips is President, Chief Executive Officer and an owner of PAX, LLC, a policyholder of the Company. The Board determined that this relationship does not interfere with Mr. Phillips' exercise of independent judgment and that he is independent within the meaning of the Nasdaq listing requirements. See *Certain Relationships and Related Transactions*.

Board Meetings

The Board held five meetings during 2018. Each director serving on the Board in 2018 attended at least 75% of the total number of meetings of the Board and committees on which he or she served. Under the Company's corporate governance guidelines, each director is expected to devote the time necessary to appropriately discharge his or her responsibilities and to rigorously prepare for, attend and participate in all Board meetings and meetings of Board committees on which he or she serves.

Annual Meetings of Shareholders

The Company's directors are encouraged to attend our annual shareholder meetings, but we do not currently have a policy relating to directors attendance at these meetings. Four directors, Mr. J. Morris, Mr. M. Morris, Ms. Fontenot, Mr. Phillips, and Ms. Frost, attended our 2018 annual meeting of shareholders, either in person or by teleconference.

Audit Committee

The Audit Committee currently consists of Mr. Garcia (Chair), Mr. Brown, Ms. Fontenot, and Mr. J. Morris. 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:

reviewing, monitoring and assessing the Company's policies and compliance 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 and approving any non-audit engagements with 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, including disclosures regarding internal controls;

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

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reviewing and discussing with management the findings and recommendations of the independent registered public accounting firm;

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discussing with the independent registered public accounting firm the conduct of the annual audit, including management's response;