

AMERISAFE INC
Form DEF 14A
April 29, 2013
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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)

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April 29, 2013

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, 2013, 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 2012 and comment on our outlook for the remainder of 2013. 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 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.

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

Sincerely,

C. Allen Bradley, Jr.

Chairman and

Chief Executive Officer

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AMERISAFE, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on June 14, 2013

The 2013 annual meeting of shareholders of AMERISAFE, Inc. (the Company) will be held on June 14, 2013, 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 2016 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 2013; 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 2012. Holders of record of the Company's common stock as of the close of business on April 22, 2013 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. Rowan

Senior Vice President,

General Counsel and Secretary

DeRidder, Louisiana

April 29, 2013

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 2013 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, 2013.

Record holders of the Company's common stock as of the close of business on April 22, 2013 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 22, 2013, there were 18,389,367 shares of common stock outstanding.

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 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:

FOR the election of two directors to serve until the 2016 annual meeting of shareholders;

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FOR the approval of the compensation of our named 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 2013; 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 2013, 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.

Proposal	Vote Necessary to Approve Proposal	Broker Discretionary	Treatment of Abstentions
		Voting Allowed?	and Broker Non-Votes
No. 1 Election of directors	Plurality (that is, the largest number) of the votes cast	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 LLP	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 2016. This section of the proxy statement 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 Jared A. Morris and Daniel Phillips. Both currently serve as directors.

On February 25, 2013, Sean M. Traynor, a member of our Board of Directors, advised the Company of his decision not to stand for re-election at the Company's 2013 annual meeting of stockholders to devote more time to his other business and personal interests. Mr. Traynor will continue to serve as a director until our Annual Meeting. Mr. Traynor has served as a member of the Board of Directors since 2001. The Board intends to reduce the size of the Board from eight to seven members, effective immediately following the Annual Meeting.

*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 2016

Jared A. Morris, age 38, has served as a director of the Company since 2005. In November 2012, he was appointed by the Board to serve as our lead director. 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. He serves on the boards of directors of Beauregard Memorial Hospital and Driver's History, LLC, a provider of traffic violation data to the automotive insurance industry. Jared A. Morris is the son of Millard E. Morris.

Jared A. Morris has been the chair of the Nominating and Corporate Governance Committee for seven years and 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, also enhance the Board's business sophistication.

Daniel Phillips, age 66, has served as a director of the Company since 2007. Mr. Phillips 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. He founded PAX, Inc. in 1979, and has been an owner and officer of that company since that time.

Mr. Phillips brings to the Board substantial experience as the founder and chief executive officer of an industrial company that typifies many of the Company's insurance clients. His experience as a CEO provides him with a unique perspective on leadership and issues affecting the Company and its clients.

Current Directors whose terms expire at the Annual Meeting in 2015

Philip A. Garcia, C.P.A., age 56, has served as a director of the Company since 2010. 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. In 2012, Erie Insurance Group was the 20th largest property and casualty insurer in the United States based on net premiums written. He is licensed as a Certified Public Accountant in Pennsylvania.

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 property and casualty company operations, as well as an understanding of the current economic and other challenges facing our industry. He, together with Mr. Young, serves as our designated audit committee financial expert.

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Randy Roach, age 62, has served as a director of the Company since March 2007. Since 2000, Mr. Roach has been the Mayor of Lake Charles, Louisiana. He is a former member of the House of Representatives of the Louisiana Legislature. Mr. Roach is Vice Chairman of the Louisiana Funding Review Panel, a body created by the Louisiana Legislature to study and make recommendations relating to statewide retirement systems for local employees. Mr. Roach is a member of the United States Environmental Protection Agency's Local Government Advisory Committee. He is a director of The First National Bank of Louisiana. Mr. Roach has been a member of the Louisiana State Bar Association since 1976.

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 to the Nominating and Corporate Governance Committee.

Millard E. Morris, age 68, 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. Since 1996, 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. 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.

Current Directors whose terms expire at the Annual Meeting in 2014

C. Allen Bradley, Jr., age 61, joined the Company in 1994 and has served as Chairman of the Board since 2005 and as Chief Executive Officer and a director since 2003. He served as President from 2002 until August 2010. In addition to the positions listed above, Mr. Bradley has served in various other executive capacities, including Chief Operating Officer, General Counsel and Secretary. He has also 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.

Mr. Bradley's over 19 years of experience with the Company, culminating in his service as the Company's Chief Executive Officer, gives him unique knowledge of the Company's business and the insurance industry. His long-term experience with the Company in various roles provides valuable insight about operational and strategic matters impacting the Company.

Austin P. Young III, C.P.A., age 72, has served as a director of the Company since 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, an insurance and financial services holding company, for more than eight years. He 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 Insperity, Inc., a human resources outsourcing company, and Tower Group, Inc., a property and casualty insurance holding company. He holds an accounting degree from the University of Texas and is a licensed Certified Public Accountant in Texas and New York. 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.

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Mr. Young's significant experience as a partner at an international accounting firm and in senior financial positions at various companies provides a solid background that enables him to advise the Board on financial and audit-related matters. This experience also enables him to serve as chair of the Audit Committee and as an audit committee financial expert. Additionally, his service on the boards of two other public companies, including one in the insurance industry, provides valuable insight as to current trends in the insurance industry and in public company governance.

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PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (and Schedule 14A of the Securities Exchange Act of 1934 (the Exchange Act)), we are submitting the compensation of our named 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 2017.

As described below under the heading *Compensation Discussion and Analysis*, we seek to offer our employees, including our named executive officers, with a competitive pay package that rewards individual contributions, performance, experience and tenure 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 named executive officers, as described under the heading *Compensation Discussion and Analysis* 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 named executive officers.

PROPOSAL 3

RATIFICATION OF APPOINTMENT OF

ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM FOR 2013

The Audit Committee has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for 2013. 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 eight members, seven of whom are non-employee directors. Following the annual meeting, the Board will consist of seven members, six of whom are non-employee directors. 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 2012 are briefly described in the following table.

Board Service:	
Annual cash retainer	\$ 35,000
Annual restricted stock award	30,000
Board Committee Service:	
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
Committee member annual cash retainer	5,000
Committee meeting fee (in excess of four meetings)	1,000

Committee Chairs do not receive annual cash retainers for being members of the committee that they chair. Meeting fees are not paid for attendance at the first four Committee meetings during the year. Any director who is an employee of the Company does not receive additional compensation for serving as a director. 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.

The amount of restricted stock granted to non-employee directors is equal to \$30,000, 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. Awards to non-employee directors are made under the AMERISAFE, Inc. 2010 Restated Non-Employee Director Restricted Stock Plan (the 2010 Director Plan). On June 15, 2012, each non-employee director was granted 1,119 shares of restricted stock.

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 restricted stock grant.

The following table provides information regarding the compensation of our non-employee directors for the year ended December 31, 2012.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Total
Philip A. Garcia	\$ 67,000 (2)	\$ 29,978	\$ 96,978
Jared A. Morris	52,000	29,978	81,978
Millard E. Morris	40,500	29,978	70,478
Daniel Phillips	46,500	29,978	76,478
Randy Roach	46,000	29,978	75,978
Sean M. Traynor	41,000	29,978	70,978
Austin P. Young	62,890	29,978	92,868

- 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 \$29,978. Pursuant to SEC

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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, 2012 for information regarding the assumptions made in determining these values. As of December 31, 2012, each non-employee director held 1,119 shares of restricted stock.

- In 2012, Mr. Garcia received an additional \$12,000 in Compensation Committee fees for his time and effort in leading the development and implementation of the Company's long-term incentive compensation program.

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 \$105,000. Non-employee directors have five years from the later of the adoption of these guidelines or their initial election to the Board to meet this ownership guideline.

Non-Employee Director Retention Guidelines. Directors are expected to continuously own sufficient shares to meet the guidelines once attained. Until the directors attain compliance with the stock ownership guidelines, the directors 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, 2012, measured in dollars. Ownership was calculated based on a price of \$27.25 per share, the closing price of the Company's common stock on December 31, 2012, the last trading day of 2012.

Non-Employee Director	Total Ownership
Philip A. Garcia	\$ 124,914
Jared A. Morris	1,819,946
Millard E. Morris	2,755,929
Daniel Phillips	300,159
Randy Roach	197,753
Sean M. Traynor	140,120
Austin P. Young	308,497

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 each of its standing committees.

Our corporate governance guidelines, code of business conduct and ethics, committee charters and 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.

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Management regularly meets with shareholders and potential investors and solicits their views regarding the Company's executive compensation practices and corporate governance policies. Management reports to the Board and the Nominating and Corporate Governance Committee, or 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 are in the best interests of the Company and as appropriate to comply with any new SEC or Nasdaq listing requirements. Since our annual meeting of shareholders in 2012, on the recommendation of the NCG Committee, the Board:

Adopted a lead director policy and appointed Mr. J. Morris as lead director.

Adopted 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.

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

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.

Board Leadership

The Company's Chairman and Chief Executive Officer positions are combined. The Board believes that combining the positions is the most effective leadership structure for the Company at this time. As Chief Executive Officer, Mr. Bradley is involved in the day-to-day operations and is most familiar with the opportunities and challenges that the Company faces at any given time. With this executive and operational insight, he is able to assist the Board in setting strategic priorities, lead the discussion of business and strategic issues and translate Board recommendations into Company operations and policies.

In 2012, in light of current trends in corporate governance and the views of proxy advisory firms, the Board appointed an independent lead director, Mr. Jared A. Morris. His key responsibilities as independent lead director include:

presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;

calling meetings of the independent directors;

servicing as principal liaison between the independent directors and the Chairman;

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

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

leading the discussion of the Board regarding the annual evaluation of the effectiveness of the Board.

Director Independence

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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 non-employee directors, Mr. Garcia, Mr. J. Morris, Mr. M. Morris, Mr. Phillips, Mr. Roach, Mr. Traynor and Mr. Young, is independent of the Company and its management within the meaning of the Nasdaq listing requirements.

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In determining that Mr. Phillips is independent, the Board considered that Mr. Phillips serves as President, Chief Executive Officer and an owner of PAX, Inc., a policyholder of the Company. The Board determined that the relationship would not interfere with Mr. Phillips' exercise of independent judgment and determined 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 2012. Each director serving on the Board in 2012 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, attend and participate in all Board meetings and meetings of Board committees on which he 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. Mr. Bradley and Mr. J. Morris attended our 2012 annual meeting of shareholders.

Audit Committee

The Audit Committee currently consists of Mr. Young (Chair), Mr. Garcia, 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;

reviewing with the Company's internal auditor the plans and scope of audit activities and the annual report of audit activities, examinations and related results;

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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;

approving related party transactions exceeding \$50,000 in aggregate value;

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.

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The Audit Committee met six times during 2012. 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. Garcia, and Mr. Roach each satisfy the SEC requirements relating to independence of audit committee members. The Board has also determined that Mr. Young and Mr. Garcia each meet the requirements of an audit committee financial expert as defined by the rules of the SEC. The Audit Committee has the authority to engage independent counsel and other advisors as the Committee deems necessary to carry out its duties.

Compensation Committee

The Compensation Committee currently consists of Mr. Garcia (Chair), Mr. J. Morris, and Mr. Traynor. 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. The Compensation Committee may delegate its responsibilities to a subcommittee comprised of Compensation 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;

performing a risk assessment of the Company's compensation plans and policies;

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 eight times during 2012. The Committee met more frequently in 2012 primarily in connection with the development of the Company's long-term incentive compensation program. The Board has determined that each member of the Compensation Committee is independent under the Nasdaq listing requirements.

The Compensation Committee has the sole authority to retain and terminate compensation consultants to assist in the evaluation of director or executive officer compensation and the sole authority to approve the fees and other retention terms of such compensation consultants. The committee may also retain independent counsel and other independent advisors to assist it in carrying out its responsibilities.

Nominating and Corporate Governance Committee

The NCG Committee currently consists of Mr. J. Morris (Chair), Mr. Phillips, Mr. Roach 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;