

SAFETY INSURANCE GROUP INC  
Form DEF 14A  
April 23, 2012

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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 (Amendment No. )

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 under §240.14a-12

**SAFETY INSURANCE GROUP, INC.**

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(Name of Registrant as Specified In Its Charter)

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(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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(3) Filing Party:

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**SAFETY INSURANCE GROUP, INC.**

**20 Custom House Street, Boston, Massachusetts 02110**

April 20, 2012

To Our Shareholders:

I am pleased to invite you to attend the 2012 Annual Meeting of Shareholders of Safety Insurance Group, Inc., which will be held at 10:00 a.m. on Wednesday, May 23, 2012 at the Company's headquarters, 20 Custom House Street, Boston, Massachusetts 02110.

The accompanying Notice of the Annual Meeting of Shareholders and Proxy Statement describe in detail the matters to be acted on at this year's Annual Meeting.

If you plan to attend the meeting, please bring a form of personal identification with you and, if you are acting as proxy for another shareholder, please bring written confirmation from the shareholder for whom you are acting as proxy.

Whether or not you expect to attend the meeting, please sign and return the enclosed Proxy Card in the envelope provided. Your cooperation will assure that your shares are voted and will also greatly assist our officers in preparing for the meeting. If you attend the meeting, you may withdraw any proxy previously given and vote your shares in person if you so desire.

Sincerely,

DAVID F. BRUSSARD  
*President, Chief Executive Officer,  
and Chairman of the Board*

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**SAFETY INSURANCE GROUP, INC.**

**20 Custom House Street, Boston, Massachusetts 02110**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 23, 2012**

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April 20, 2012

To Our Shareholders:

The 2012 Annual Meeting of Shareholders of Safety Insurance Group, Inc. (the "Company") will be held on Wednesday, May 23, 2012 at 10:00 a.m., local time, at the Company's headquarters, 20 Custom House Street, Boston, Massachusetts 02110. At this meeting, you will be asked to consider and vote upon the following:

1. a proposal to elect two of the Company's directors to Class I with a term ending 2015;
2. to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2012;
3. to provide an advisory vote on the compensation of the named executive officers as disclosed in this Proxy Statement; and
4. the transaction of such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed April 2, 2012 as the Record Date for determining the shareholders of the Company entitled to notice of and to vote at the 2012 Annual Meeting and any adjournment thereof. The Company's 2011 Annual Report to Shareholders is enclosed with the mailing of this Notice of Annual Meeting of Shareholders, Proxy Statement and Proxy Card.

We urge you to attend and to participate at the meeting, no matter how many shares you own. Even if you do not expect to attend the meeting personally, we urge you to please vote, and then sign, date and return the enclosed Proxy Card in the postpaid envelope provided.

By Order of the Board of Directors,

WILLIAM J. BEGLEY, JR.  
*Vice President, Chief Financial Officer and Secretary*

**Important Notice Regarding the Availability of Proxy Materials for  
Our Annual Meeting of Shareholders to Be Held on May 23, 2012**

The accompanying Proxy Statement and our 2011 Annual Report to Our Shareholders are available for viewing, printing and downloading at <http://materials.proxyvote.com/78648T>.

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**SAFETY INSURANCE GROUP, INC.**

**20 Custom House Street, Boston, Massachusetts 02110**

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**PROXY STATEMENT  
FOR ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 23, 2012**

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**GENERAL INFORMATION**

This Proxy Statement is being furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the "Board") of Safety Insurance Group, Inc. (the "Company") for the 2012 Annual Meeting of Shareholders to be held on May 23, 2012 at 10:00 a.m. at the Company's headquarters located at 20 Custom House Street, Boston, Massachusetts 02110 (the "2012 Annual Meeting").

The record date for determining shareholders entitled to vote at the 2012 Annual Meeting has been fixed at the close of business on April 2, 2012 (the "Record Date"). As of the Record Date, 15,301,208 shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), were outstanding and entitled to be voted. Every shareholder will be entitled to one vote for each share of Common Stock recorded in his or her name on the Company's books as of the Record Date. The Company mailed this Proxy Statement and the related form of proxy (the "Proxy") on or about April 20, 2012.

With respect to Proposal 1, Election of the Company's Directors, the shares of Common Stock represented by the enclosed Proxy will be voted as directed by the shareholder or, in the absence of such direction, in favor of the election of the nominees for director designated herein. So long as a quorum (a majority of issued and outstanding shares of Common Stock entitled to vote at the 2012 Annual Meeting) is present at the 2012 Annual Meeting either in person or by proxy, a plurality of the votes properly cast is required to elect the directors. Votes withheld from a director nominee, abstentions and broker non-votes (when a registered broker holding a customer's shares in the name of the broker has not received voting instructions on a matter from the customer and is barred from exercising discretionary authority to vote on the matter, which the broker indicates on the Proxy Card) will be treated as present at the 2012 Annual Meeting for the purpose of determining a quorum but will not be counted as votes cast. **Please note that Brokers may not vote your shares on Proposals 1 or 3 without your specific instructions. Please be sure to give specific voting instructions to your broker, so that your vote can be counted.**

With respect to Proposal 2, Ratification of Appointment of Independent Registered Public Accounting Firm, an affirmative vote of a majority of the shares present or represented and entitled to vote on such proposal is required for approval. Abstentions are included in the number of shares present or represented and entitled to vote on the proposal and therefore have the practical effect of a vote against the proposal.

With respect to Proposal 3, Advisory Vote on Executive Compensation, an affirmative vote of a majority of the shares present or represented and entitled to vote on such proposal is required for approval (on a non-binding, advisory basis). Abstentions are included in the number of shares present or represented and entitled to vote on the proposal and therefore have the practical effect of a vote against the proposal. Your vote is advisory and will not be binding upon the Company, the Board of

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Directors, or the Compensation Committee. However, the Board of Directors and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

The enclosed Proxy confers discretionary authority with respect to any other proposals that may properly be brought before the 2012 Annual Meeting. As of the date hereof, management is not aware of any other matters to be presented for action at the 2012 Annual Meeting. If any other matters properly come before the 2012 Annual Meeting, however, the Proxies solicited hereby will be voted in accordance with the recommendation of the Board.

Any shareholder giving a Proxy may revoke it at any time before it is exercised by delivering written notice thereof to the Secretary. Any shareholder attending the 2012 Annual Meeting may vote in person whether or not the shareholder has previously filed a Proxy. Presence at the 2012 Annual Meeting by a shareholder who has signed a Proxy, however, does not in itself revoke the Proxy.

The enclosed Proxy is being solicited by the Board. The cost of soliciting Proxies will be borne by the Company, and will consist primarily of preparing and mailing the Proxies and Proxy Statements. The Company will also request persons, firms and corporations holding shares of Common Stock in their names, or in the names of their nominees, which shares are beneficially owned by others, to send this Proxy material to and obtain Proxies from such beneficial owners and will reimburse such holders for their reasonable expenses in so doing.

The Company's Annual Report to Shareholders for the fiscal year ended December 31, 2011, including financial statements and the report of the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, thereon, accompanies this Proxy Statement. The Annual Report to Shareholders is neither a part of this Proxy Statement nor incorporated herein by reference.



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The Board has five members and consists of three classes. Each class serves three years, with terms of office of the respective classes expiring in successive years.

Each of the two Directors whose term expires at this year's 2012 Annual Meeting, Peter J. Manning and David K. McKown, have been nominated for re-election to a three-year term ending at the 2015 Annual Meeting of Shareholders and until a successor, if any, is elected and duly qualified. The remaining three directors will continue to serve in accordance with their terms. **THE BOARD RECOMMENDS A VOTE FOR PROPOSAL 1 WHICH CALLS FOR THE ELECTION OF THE 2012 NOMINEES.**

<b>Name</b>	<b>Age **</b>	<b>Director Since</b>
<b>Class I Term ending in 2015 *</b>		
Peter J. Manning (1C)(2)(3)	73	2003
David K. McKown (1)(2C)(3)	74	2002
<b>Class III Term ending in 2014</b>		
David F. Brussard, Chairman of the Board (4)	60	2001
A. Richard Caputo, Jr. (4C)	46	2001
<b>Class II Term ending in 2013</b>		
Frederic H. Lindeberg (1)(2)(3C)	71	2004

\* Nominated at the 2012 Annual Meeting to a term ending in 2015.

\*\* As of April 2, 2012.

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Governance Committee.

(4) Member of the Investment Committee.

(C) Chairman of the committee referenced.

The following information with respect to the principal occupation, business experience, recent business activities involving the Company and other affiliations of the nominees and directors has been furnished to the Company by the nominees and directors.

**Nominees for Director**

*Peter J. Manning* has served as a director of the Company since September 2003. Mr. Manning retired in 2003 as Vice Chairman, Strategic Business Development of FleetBoston Financial after 31 years with FleetBoston Financial Corporation (formerly BankBoston) where he also held the positions of Comptroller and Executive Vice President and Chief Financial Officer. Mr. Manning started his career with Coopers & Lybrand in 1962 prior to his 1972 employment with BankBoston. He currently is a director of Thermo Fisher Scientific, the non-profit Catholic Schools Foundation, the Blue Hills Bank, and the Lahey Clinic. Mr. Manning qualifies as an "Audit Committee Financial Expert" as defined by the U.S. Securities and Exchange Committee rules. We believe that Mr. Manning's many years of experience in finance and accounting in the banking industry provide him with the necessary qualifications to be a director of the Company and Chairman of our Audit Committee.

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*David K. McKown* has served as a director of the Company since November 2002. Mr. McKown has been a Senior Advisor to Eaton Vance Management since 2000, focusing on business origination in real estate and asset-based loans. Mr. McKown retired in March 2000 having served as a Group Executive with BankBoston since 1993, where he focused on acquisitions and high-yield bank debt financings. Mr. McKown has been in the banking industry for 51 years, worked for BankBoston for over 32 years and had previously been the head of BankBoston's real estate department, corporate finance department, and a managing director of BankBoston's private equity unit. Mr. McKown is currently a director of Global Partners L.P., Newcastle Investment Corp., and various privately held companies. We believe that Mr. McKown's extensive accounting, financial structuring, legal, and negotiation skills acquired during his many years in the banking industry provide him with the necessary skills to be a director of the Company and Chairman of our Compensation Committee.

**Directors Continuing in Office**

*David F. Brussard* was appointed Chairman of the Board in March 2004 and President and Chief Executive Officer ("CEO") in June 2001. Mr. Brussard has served as a Director of the Company since October 2001. Since January 1999, Mr. Brussard has been the CEO and President of our insurance subsidiaries. Previously, Mr. Brussard served as Executive Vice President of our insurance subsidiaries from 1985 to 1999 and as Chief Financial Officer and Treasurer of our insurance subsidiaries from 1979 to 1999. Mr. Brussard has been employed by one or more of our subsidiaries for over 36 years.

Mr. Brussard is Chairman of the Governing Committee and a member of the Budget Committee, Executive Committee, and Nominating Committee of the Automobile Insurers Bureau of Massachusetts. Mr. Brussard is also on the Board of Trustees of the Insurance Library Association of Boston. Based upon Mr. Brussard's significant experience with the insurance industry and his leadership roles in the Company and our insurance subsidiaries since inception, as well as his understanding of the financial, regulatory, corporate governance and other matters affecting public companies, we believe that Mr. Brussard is qualified to serve as Chairman of our Board.

*A. Richard Caputo, Jr.* has served as a director of the Company since June 2001. Mr. Caputo is a Partner and Managing Principal of The Jordan Company, a private investment firm, which he has been with since 1990. Mr. Caputo is also a director of TAL International Group, Inc., Universal Technical Institute, Inc. and various privately held companies. Mr. Caputo's professional experience with The Jordan Company and its affiliated entities for over 21 years, as well as his particular knowledge of capital markets, corporate finance, and strategic planning, enables him to provide valuable insight and advice regarding investing decisions and other matters of import to the Company, and we believe qualify him to serve on our Board and to chair our Investment Committee.

*Frederic H. Lindeberg* has served as a director of the Company since August 2004. Mr. Lindeberg has had a consulting practice providing taxation, management and investment counsel since 1991, focusing on finance, real estate, manufacturing and retail industries. Mr. Lindeberg retired in 1991 as Partner-In-Charge of various KPMG tax offices, after 24 years of service where he provided both accounting and tax counsel to various clients. Mr. Lindeberg is an attorney and certified public accountant. Mr. Lindeberg was formerly an adjunct professor at Penn State Graduate School of Business. Mr. Lindeberg is currently a director of TAL International Group, Inc. We believe that Mr. Lindeberg's particular knowledge and experience in a variety of areas, including financial, regulatory, corporate governance and other matters affecting public companies, qualify him to serve on our Board and as Chairman of our Nominating and Governance Committee.

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**Certain Information Regarding the Board of Directors**

*Meetings of the Board of Directors*

During 2011, the following meetings of the Board were held: five meetings of the Board, four meetings of the Audit Committee, three meetings of the Compensation Committee, two meetings of the Nominating and Governance Committee and four meetings of the Investment Committee. All of the incumbent Directors attended at least 75% of the Board and committee meetings held while they were members during 2011. At each quarterly meeting of the Board, the outside directors held an executive session without management present.

*Board Leadership Structure*

The positions of Chairman of the Board and Chief Executive Officer are held by Mr. Brussard. In these roles, Mr. Brussard has general charge, supervision, and control of the business and affairs of the Company, and is responsible generally for assuring that policy decisions of the Board are implemented as adopted. As the Chairman of the Board, Mr. Brussard provides leadership to the Board and works with the Board to define its structure and activities in the fulfillment of its responsibilities. The Company does not have a lead independent director. Given the small size of its Board, the fact that all of its directors other than Mr. Brussard are independent, and the fact that all of its four independent directors are actively engaged in Board matters, the Board does not believe that it is necessary to designate one director to this role.

We believe this Board leadership structure is appropriate for the Company, in that the combined role of Chairman of the Board and Chief Executive Officer promotes unified leadership and direction, allowing for a single, clear focus for management to execute the Company's strategy and business plan while contributing to a more efficient and effective Board. The Board also believes that the Company's strong performance under Mr. Brussard, especially in light of recent industry challenges, demonstrates the effectiveness of its leadership approach.

*Risk Oversight*

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's strategic, financial and operational risks. The Company's Compensation Committee oversees the management of risks relating to the Company's compensation policies and practices. The Audit Committee oversees the management of risks associated with accounting, auditing, financial reporting and internal controls over financial reporting. The Audit Committee is responsible for reviewing and discussing the guidelines and policies governing the process by which senior management and the internal auditing department assess and manage the Company's exposure to risk, as well as the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The Nominating and Corporate Governance Committee oversees risks associated with the independence of the Board of Directors. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks.

*Independent Directors*

The Board has determined that Frederic H. Lindeberg, Peter J. Manning, David K. McKown, and A. Richard Caputo, Jr. are "independent directors" as determined pursuant to the Marketplace Rules promulgated by the National Association of Securities Dealers, Inc. (the "NASDAQ Marketplace Rules") and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC").

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*Board Committees*

The Audit Committee is comprised of Peter J. Manning (Chairman), Frederic H. Lindeberg, and David K. McKown (the "Audit Committee"). The Board has determined that Peter J. Manning is an "Audit Committee Financial Expert" as established by the rules and regulations of the SEC. The Audit Committee meets at least quarterly and at each quarterly meeting meets with the independent auditors in an executive session without management present. For information regarding the functions performed by the Audit Committee, please refer to the *Report of the Audit Committee* included in this Proxy Statement, as well as the Charter of the Audit Committee, attached hereto in Appendix A to this Proxy Statement.

The Compensation Committee is comprised of David K. McKown (Chairman), Frederic H. Lindeberg, and Peter J. Manning (the "Compensation Committee"). For information regarding the functions performed by the Compensation Committee, please refer to the *Compensation Discussion and Analysis* and the *Compensation Committee Report* included in this Proxy Statement, as well as the Charter of the Compensation Committee, attached hereto in Appendix B to this Proxy Statement.

The Nominating and Governance Committee is comprised of Frederic H. Lindeberg (Chairman), Peter J. Manning, and David K. McKown (the "Nominating and Governance Committee"). For information regarding the functions performed by the Nominating and Governance Committee, please refer to the Charter of the Nominating and Governance Committee, attached hereto in Appendix C to this Proxy Statement.

The Investment Committee is comprised of A. Richard Caputo, Jr. (Chairman), David F. Brussard and William J. Begley, Jr., the Company's Chief Financial Officer (the "Investment Committee"). The Investment Committee reviews and evaluates, as may be appropriate, information relating to the Company's invested assets and its investment policies, strategies, objectives and activities.

**Nominating and Governance Committee Policies**

Pursuant to the Charter of the Nominating and Governance Committee, attached hereto in Appendix C to this Proxy Statement, the Nominating and Governance Committee has developed the following policies and procedures related to the nomination process for directors of the Company and the means by which shareholders may communicate with the Board.

*Shareholder Recommendations for Director-Nominees*

The Nominating and Governance Committee will consider recommendations from shareholders as to candidates to be nominated for election to the Board. A shareholder wishing to submit such a recommendation should send a letter to the Secretary of the Company at Safety Insurance Group, Inc., 20 Custom House Street, Boston, Massachusetts 02110, who will forward such recommendations to the Chairman of the Nominating and Governance Committee. Recommendations must be in writing and should include the candidate's name and qualifications for Board membership. This policy is not intended to replace the provisions in the Company's bylaws related to shareholder nominations for director, but rather addresses the Nominating and Governance Committee's position on recommendations from shareholders for potential director-nominees. Shareholders wishing to nominate persons for director must comply with the Company's bylaws and any applicable rules of the SEC.

*Director-Nominee Evaluation Process*

The Nominating and Governance Committee intends to utilize a variety of methods for identifying and evaluating nominees for director. The Nominating and Governance Committee will regularly assess the appropriate size of the Board, and whether any vacancies are expected due to retirement or otherwise. In the event that vacancies arise, the Nominating and Governance Committee will consider

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various potential candidates for director. Candidates may come to the attention of the Nominating and Governance Committee through current Board members, professional search firms, shareholders, or other persons. In evaluating candidates, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience, and capability on the Board.

*Shareholder Communications to the Board*

Shareholders may communicate directly with any member of the Board or the entire Board by sending correspondence to the Office of Investor Relations, Safety Insurance Group, Inc., 20 Custom House Street, Boston Massachusetts 02110, or emailing [InvestorRelations@SafetyInsurance.com](mailto:InvestorRelations@SafetyInsurance.com). Any such correspondence must contain a clear notation indicating that it is a "Shareholder-Director Communication," and must indicate whether the intended recipients are all members of the Board or certain specified individual directors. The Office of Investor Relations will make copies of all such correspondence and circulate them to the appropriate director or directors.

*Director Attendance at Annual Meetings*

Directors are encouraged but not required to attend the Company's Annual Meetings. One director attended last year's annual meeting.

*Minimum Qualifications for Directors*

In addition to the preceding policies and procedures adopted by the Nominating and Governance Committee, at the direction of the Board, the Board and Nominating and Governance Committee continue to evaluate their position on establishing minimum qualifications for directors. The Board seeks members with diverse business and professional backgrounds and outstanding integrity, judgment, and such other skills and experiences as will enhance the Board's ability to best serve the interest of the Company. Although the Board does not have a formal diversity policy, among the matters reviewed are the candidate's integrity, maturity and judgment, experience, collegiality, expertise, diversity, commitment and independence. The Board has not approved any criteria for nominees for director and believes that establishing such criteria is best left to an evaluation of the needs of the Company at the time the nomination is to be considered. Similarly, the Nominating and Governance Committee has not identified specific, minimum qualifications for director nominees or any specific qualities or skills that it believes are necessary for one or more of our directors to possess.

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**PROPOSAL 2**

**RATIFICATION OF APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP  
AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012**

The Audit Committee of the Board selected PricewaterhouseCoopers LLP ("PwC") to continue as the Company's independent registered public accounting firm for 2012. PwC is the Company's independent registered public accounting firm for the most recently completed fiscal year ended December 31, 2011. A representative of PwC is expected to be present at the 2012 Annual Meeting. The representative will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from shareholders.

Ratification of PwC as our independent registered public accounting firm for the fiscal year ending December 31, 2012 requires the affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote. **THE BOARD RECOMMENDS A VOTE FOR PROPOSAL 2 WHICH CALLS FOR THE RATIFICATION OF THE APPOINTMENT OF PWC.**

If our shareholders do not ratify the selection of PwC, the appointment of the independent registered public accounting firm will be reconsidered by our Audit Committee. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its shareholders.

**Audit Fees Billed for Services Performed Related to 2011 and 2010 Services**

*Audit Fees*

Aggregate fees billed were \$831,713 and \$803,600 for 2011 and 2010, respectively. The fees in this category are for professional services rendered in connection with the audits of the Company's annual financial statements, including the Company's internal control over financial reporting, set forth in the Company's Annual Report on Form 10-K, the review of the Company's quarterly financial statements set forth in its Quarterly Reports on Form 10-Q, and the performance of other services that generally only the Company's independent registered public accounting firm can provide, such as consents.

*Audit-Related Fees*

Aggregate fees billed were \$32,887 and \$31,775 for 2011 and 2010, respectively. The 2011 and 2010 fees in this category were for professional services rendered in connection with the annual employee benefit plan audit.

*Tax Fees*

Aggregate fees billed were \$45,000 and \$43,500 for 2011 and 2010, respectively. The fees in this category were for professional services rendered in connection with tax compliance and tax consulting services.

*All Other Fees*

Aggregate fees billed were \$1,800 and \$1,500 for 2011 and 2010, respectively. The 2011 and 2010 fees in this category were for the Company's licensing of PwC proprietary research tools.

The Audit Committee has considered and determined that the provision of non-audit services provided in 2011 and 2010 are compatible with maintaining PwC's independence.

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**Audit Committee's Pre-Approval Policies and Procedures**

Our Audit Committee has established a policy that all audit and permissible non-audit services provided by the independent auditors will be pre-approved by the Audit Committee. These services may include audit services, audit-related services, tax services and other services. The Audit Committee considers whether the provision of each non-audit service is compatible with maintaining the independence of the Company's auditors. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. During fiscal years 2011 and 2010, all audit services and all non-audit services provided to the Company by PwC were pre-approved in accordance with the Audit Committee's pre-approval policies and procedures described above.

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**PROPOSAL 3**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

At last year's annual meeting, the Company provided shareholders with the opportunity to cast an advisory vote regarding the compensation of our Named Executive Officers as disclosed in the Proxy Statement for the 2011 Annual Meeting. The Company also asked shareholders to indicate whether the Company should hold a "say-on-pay" vote every one, two or three years. After consideration of the voting results, the Board adopted the shareholders' recommendation and elected to hold a shareholder "say-on-pay" vote annually. Accordingly, in this Proposal 3, the Company again this year seeks your vote on the following advisory resolution:

"RESOLVED, that the shareholders of the Company approve, on a non-binding advisory basis, the compensation of the Company's Named Executive Officers listed in the 2011 Summary Compensation Table included in the Proxy Statement for the 2012 Annual Meeting, as such compensation is disclosed pursuant to the disclosure rules of the Securities and Exchange Commission, including the section titled *Compensation Discussion and Analysis* as well as the compensation tables and other narrative executive compensation disclosures thereafter."

Our goal for the Company's executive compensation program is to attract, motivate and retain a talented, dedicated and knowledgeable team of executives who will provide leadership for the Company's success in competitive markets. We seek to accomplish this goal in a way that rewards performance and is strongly aligned with our shareholders' long-term interests.

The Company, the Board of Directors, and the Compensation Committee remain committed to the compensation philosophy, policies and objectives outlined under the heading *Compensation Discussion and Analysis* in the Proxy Statement. As always, the Board of Directors and the Compensation Committee will continue to review all elements of the executive compensation program and take any steps it deems necessary to continue to fulfill the objectives of the program.

Shareholders are encouraged to carefully review the *Compensation Discussion and Analysis* section, the compensation tables and other narrative discussion in the Proxy Statement which discuss in detail our compensation policies and procedures and our compensation philosophy.

Because your vote is advisory, it will not be binding upon the Company, the Board of Directors, or the Compensation Committee. However, the Board of Directors and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE RESOLUTION ABOVE APPROVING THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.**



Table of Contents**EXECUTIVE OFFICERS****Occupations of Executive Officers**

The table below sets forth certain information concerning our executive officers as of the date of this Proxy Statement.

<b>Name</b>	<b>Age (1)</b>	<b>Position</b>	<b>Years Employed by Safety</b>
David F. Brussard	60	President, Chief Executive Officer and Chairman of the Board	36
William J. Begley, Jr.	57	Vice President, Chief Financial Officer and Secretary	26
James D. Berry	52	Vice President Insurance Operations	30
George M. Murphy	45	Vice President Marketing	23
Robert J. Kerton	66	Vice President Claims	25
David E. Krupa	51	Vice President Claims Operations	29
Daniel D. Loranger	72	Vice President Management Information Systems and Chief Information Officer	31
Edward N. Patrick, Jr.	63	Vice President Underwriting	38

(1) As of April 2, 2012.

*David F. Brussard.* For information regarding Mr. Brussard, refer above to "Directors Continuing in Office."

*William J. Begley, Jr.* was appointed Chief Financial Officer, Vice President and Secretary of the Company on March 4, 2002. Since January 1999, Mr. Begley has been the Chief Financial Officer and Treasurer of our insurance subsidiaries. Previously, Mr. Begley served as Assistant Controller of our insurance subsidiaries from 1985 to 1987, as Controller from 1987 to 1990 and as Assistant Vice President/Controller from 1990 to 1999. Mr. Begley has been employed by our insurance subsidiaries for over 26 years. Mr. Begley also serves on the Audit Committee of Guaranty Fund Management Services and is a member of the Board of Directors of the Massachusetts Insurers Insolvency Fund.

*James D. Berry, CPCU,* was appointed Vice President of Insurance Operations of the Company on October 1, 2005. Mr. Berry has been employed by our insurance subsidiaries for over 30 years and has directed the Company's Massachusetts Private Passenger line of business since 2001. Mr. Berry represents the Company on the Computer Sciences Corporation Series II Advisory Council.

*George M. Murphy, CPCU,* was appointed Vice President of Marketing on October 1, 2005. Mr. Murphy has been employed by our insurance subsidiaries for over 23 years and most recently served as Director of Marketing.

*Robert J. Kerton* was appointed Vice President of Casualty Claims of the Company on March 4, 2002. Mr. Kerton has served as Vice President of Claims of our insurance subsidiaries since 1986 and has been employed by our insurance subsidiaries for over 26 years. Mr. Kerton previously served 18 years with Allstate Insurance Company in various Massachusetts claim management assignments. Mr. Kerton has served as Chairman of the Claims Committee of the Automobile Insurers Bureau of Massachusetts and as a member of the Governing Board of the Massachusetts Insurance Fraud Bureau.

*David E. Krupa, CPCU,* was appointed Vice President of Property Claims of the Company on March 4, 2002. Mr. Krupa has served as Vice President of Claims of our insurance subsidiaries since July 1990 and has been employed by our insurance subsidiaries for over 29 years. Mr. Krupa was first employed by the Company in 1982 and held a series of management positions in the claims department

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before being appointed Vice President in 1990. Mr. Krupa is a member of the Auto Damage Appraisers Licensing Board of Massachusetts. In addition, Mr. Krupa has been a member of several claims committees both at the Automobile Insurers Bureau of Massachusetts and Commonwealth Automobile Reinsurers ("CAR").

*Daniel D. Loranger* was appointed Vice President of Management Information Systems of the Company on March 4, 2002. Mr. Loranger has served as Vice President of Management Information Systems and Chief Information Officer of our insurance subsidiaries since 1980 and has been employed by our insurance subsidiaries for over 31 years. Mr. Loranger began his data processing career with Raytheon Manufacturing in 1960.

*Edward N. Patrick, Jr.* was appointed Vice President of Underwriting of the Company on March 4, 2002. Mr. Patrick has served as Vice President of Underwriting of our insurance subsidiaries since 1979 and as Secretary since 1999. He has been employed by one or more of our subsidiaries for over 38 years. Mr. Patrick has served on several committees of CAR, including the MAIP Steering, Actuarial, Market Review, Servicing Carrier, Statistical, Automation, Reinsurance and Operations Committees. Mr. Patrick is also on the Board of Directors of the Massachusetts Property Insurance Underwriting Association (FAIR Plan).

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

Our compensation program objective is to attract and retain individuals key to our future success, to motivate and reward employees in achieving our business goals and to align the long-term interests of employees with those of our shareholders.

In this section, we discuss and analyze our compensation practices with respect to Messrs. Brussard, Begley, Loranger, Patrick, and Murphy, who are respectively, our CEO, CFO, and three other highest paid executives (collectively, our "Named Executive Officers").

#### Objectives of the Company's Compensation Program

The Compensation Committee of the Board of Directors (for purposes of this analysis, the "Committee") is responsible for recommending to the Board compensation for the chief executive officer and for determining the compensation of the other executive officers. The Committee acts pursuant to a charter that has been approved by the Board. The Committee bases its compensation policies and decisions on the following principles.

Compensation should be structured to allow us to motivate, retain and attract executive talent.

Compensation should be directly linked to the Company's and individual's performance as well as the individual's level of responsibility.

Compensation should be driven by our long-term financial performance and in doing so work to align the interests of management and shareholders.

Compensation should reflect the value of each officer's position in the marketplace and within the Company.

The Committee annually reviews executive performance and compensation, including base pay, annual cash incentives, and equity awards for our executives. The Committee considers specific recommendations regarding compensation for other executives from the CEO and reviews the CEO's annual assessment of other executives' performance. Our Committee makes a final determination of compensation amounts for our CEO and other executives with respect to each of the elements of the

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executive compensation program for actual compensation based on performance in the preceding year and target compensation for the current year.

**Policies and Practices Related to the Company's Compensation Program**

We strive to create an overall compensation package for each Named Executive Officer that satisfies these objectives, recognizing that certain elements of compensation are better suited to reflect different compensation objectives. Our primary goal is to provide strong performance-based total compensation plans that enable us to provide highly competitive compensation when our performance leads the peer group and industry.

*Compensation Consultant and Compensation Study*

The Committee selected and directly engaged Thomas B. Wilson of the Wilson Group as its compensation consultant. The Wilson Group receives compensation only for services related to executive compensation issues, and neither it nor any affiliated company provides any other services to the Company. Mr. Wilson reports directly to the Committee and is responsible for reviewing Committee materials, attending Committee meetings, assisting the Committee with program design and generally providing advice and counsel to the Committee as compensation issues arise. In 2011, Mr. Wilson performed a study of the compensation of executive management at the Company and at fourteen comparable property and casualty insurance companies. Although the median size of the peer group companies is larger than we are, these companies reflect a market where we are likely to recruit executive leaders or compete to retain our executives. The Committee will regularly review the list of comparable companies and refine it as appropriate. The selected comparable companies for 2011 were as follows:

21<sup>st</sup> Century Holding Company

Baldwin & Lyons, Inc.

Donegal Group, Inc.

Erie Indemnity Company

GAINSCO, Inc.

Hallmark Financial Services, Inc.

Hanover Insurance Group, Inc.

Harleysville Group, Inc.

Horace Mann Educators Corporation

Infinity Property & Casualty Corporation

Kemper Corporation (formerly Unitrin, Inc.)

Mercury General Corporation

Selective Insurance Group, Inc.

State Auto Financial Corporation

*Equity Grant Practices*

The grant date of our equity awards is scheduled in advance and is based on the timing of the completion of our annual performance and compensation review process. We have not granted stock options to our Named Executive Officers since 2003 and none of our Named Executive Officers hold any Company stock options.

*Stock Ownership Guidelines*

We have stock ownership guidelines for our Named Executive Officers to help ensure alignment of our Named Executive Officers' interests with those of our shareholders. Stock ownership guidelines are set as a multiple of annual base salary divided by the current share price on the date of the annual

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evaluation. The multiple of annual base salary for the CEO is set at five, and for the remaining executive officers is set at three.

**Elements of Executive Compensation**

The Committee, after reviewing information provided by the Wilson Group, determines what it believes to be the appropriate level for cash and non-cash compensation components. After receiving the results of the Wilson Group study and considering our compensation philosophy and the actual practices of the selected peer group, the Committee determined that the elements of targeted overall compensation for executive officers should include the following:

*Base Salaries*

Base salary should be targeted at the median (50<sup>th</sup> percentile) of peer group companies and reflect the roles, responsibilities and individual performance of the executives. In 2011, in accordance with the executive officers' employment contracts, salary increases were based on the change in cost of living for the Boston metropolitan market as reported by the U.S. Department of Labor statistics.

*Annual Cash Incentives*

The purpose of the Annual Performance Incentive Plan is to provide designated key executive employees with meaningful financial rewards for the accomplishment of our annual financial and strategic objectives. This annual cash incentive compensation award directly reflects the actual performance of the Company. This direct reflection of Company performance is illustrated by the 2011 awards, under which, as discussed below, performance results were less than the threshold goal and no incentives were earned by or paid to our Named Executive Officers. The Committee reserves the right to make special bonus awards to ensure that total cash compensation reflects the actual performance of the Company, but no special bonuses were paid in 2011.

Under the Annual Performance Incentive Plan, once the threshold performance level (as defined by the Committee annually) has been achieved, the payouts may range from 50% to 150% of the target payout. In addition, Mr. Brussard's employment agreement with the Company provides for a minimum annual cash incentive award of not less than 35% of the total cash incentive awards paid in such year to officers who hold such positions entitled Vice President or higher.

The 2011 payout opportunity for our executive officers ranged as follows:

Position	% of Salary Payable		
	Threshold	Target	Maximum
Chief Executive Officer	40%	80%	120%
Other Executive Officers	30%	60%	90%

On or before the end of the first 90 days of each fiscal year, the Committee selects the participants to whom incentive awards are granted, establishes the target incentive awards, and establishes the performance objective or objectives that will determine the dollar amount available for these incentive awards. Performance objectives are based upon the relative or comparative achievement of one or more of the following criteria, as determined by the Committee: net income, earnings before income taxes ("EBIT"), earnings per share, return on shareholders' equity, expense management, profitability of an identifiable business unit or product, ratio of claims to revenues, revenue growth, earnings growth, total shareholder return, cash flow, return on assets, operating income, net economic profit (operating earnings minus a charge for capital), customer satisfaction, agency satisfaction, employee satisfaction, quality of services, strategic innovation, or any combination of the foregoing.

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For 2011, the financial measure established by the Committee was annual EBIT. Our Committee believes that EBIT provides an effective means of directly linking executive compensation to our shareholders' interests. EBIT is equal to our net income plus our interest expense and our income tax expense. The target goal for 2011 was \$76.8 million and was based on the average of the actual EBIT achievements for 2009 and 2010 on which the executives were paid bonuses. This means that if the actual EBIT achievement was above 150% of that year's target, the goal setting calculation uses the 150% achievement for determining the two-year average. This practice avoids penalizing the executives for over achievement and creating unachievable performance goals. The two-year average also enables us to set targets that provide for a reasonable time to adjust to factors that are out of the Company's control, such as changes in regulatory requirements or unusual weather occurrences. Once the target goal is set, the range of performance is 50% (threshold) to 150% (exceptional) of this target, and the payouts are based on achievement relative to the goal. The Committee prorates the payouts within this range to correspond to the actual performance.

For 2011, our financial performance for EBIT was 19% of target which was lower than the threshold performance goal and accordingly, no incentive awards were approved by the Committee.

*Performance-Based Nonqualified Deferred Compensation*

We maintain a nonqualified deferred compensation plan, the Executive Incentive Compensation Plan (the "EICP") to further our objective of providing our executive officers with compensation that is competitive with that provided by comparable companies. The EICP is a performance-based program that allocates 1.75% of our insurance subsidiaries annual consolidated statutory net income to a pool that is then distributed as deferred compensation to the eligible executives. The amount allocated is based on the total annual cash compensation (salary plus annual incentive received, or deferred, in the year) of the eligible executives. Our insurance subsidiaries achieved a combined statutory net income of \$9.7 million in 2011 and Messrs. Brussard, Begley, Loranger, Patrick, and Murphy earned the following allocations under the EICP in 2011: \$55,632, \$18,144, \$19,200, \$17,632, and \$15,600, respectively. The allocations are retained by the Company, invested in mutual funds, and only paid to the executive upon employment termination or a change in control as defined in the EICP.

The EICP also provides a deferred compensation benefit with a supplemental matching provision similar to our 401(k) plan. Our intention is to provide additional retirement benefits to eligible executives in the absence of a traditional defined benefit pension arrangement. The provision enables the executive officer to elect to defer amounts from current compensation above the federally limited amount that can be deferred under our tax-qualified 401(k) plan and receive an employer matching contribution on such supplemental deferrals. In accordance with the EICP, we make a matching contribution annually at the close of each plan year in an amount equal to 75% of the participant's elective deferrals under the plan up to a maximum amount of 8% of the participant's compensation. The participant's compensation for this purpose means the participant's base salary and annual incentive received (or deferred) in the plan year. Amounts deferred under the EICP do not include amounts deferred under the 401(k) plan, thus our matching contributions under the EICP do not include amounts we have matched under the 401(k) plan. We made the following employer matching contributions for 2011 to the EICP on behalf of the Named Executive Officers: Mr. Brussard \$65,051; Mr. Begley \$13,368; Mr. Loranger \$19,178; Mr. Patrick \$14,900 and Mr. Murphy \$12,359.

A description of our Named Executive Officers' benefits under the EICP and other material terms of the EICP can be found in the narrative following the Nonqualified Deferred Compensation Plan table.

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*Long-Term Incentives*

We use our 2002 Management Omnibus Incentive Plan (the "Omnibus Incentive Plan") to grant long-term equity-based incentive awards. A description of the Omnibus Incentive Plan can be found in the narrative following the Grants of Plan-Based Awards table. Long-term incentive compensation, which may include non-qualified stock options, incentive stock options, stock appreciation rights and restricted stock awards, is intended to reinforce the long-term growth in shareholder value of the Company by linking pay to the value of our shares. The amounts awarded annually are based on the performance of the Company. The actual amount awarded and accumulated reflects our historical performance.

On March 9, 2011, the Committee, after reviewing information provided by the Wilson Group, determined what it believed to be the appropriate level of each of the various compensation components. Based upon the Company's performance in 2010, the Committee awarded restricted stock to our eight executive officers at a total market value of \$3,250,000 on the date of the grant. The Committee awarded 37% of the shares to Mr. Brussard, or 25,343 shares at \$47.35, the closing price of the Company's common stock on the grant date and 63% to the remaining executive officers. The distribution among the remaining officers was made by the Committee, after reviewing the recommendations of the CEO. Such distribution resulted in 8,448 shares being granted to Mr. Begley, 5,280 shares being granted to each of Mr. Loranger and Mr. Patrick, and 8,975 shares being granted to Mr. Murphy. The awards vest in three annual installments of 30%, 30% and 40% beginning on the first anniversary date of the grant date.

*Other Employee Benefits*

In addition to the main elements of compensation previously discussed in this section, our Named Executive Officers are eligible for the same welfare and other benefits as are available to all of our employees. These benefits include medical and dental insurance, short-term and long-term disability insurance, life and accidental death insurance, and a 401(k) plan. The 401(k) plan allows employees to contribute on a pre-tax basis up to the maximum allowed under federal law. At the close of each plan year, the Company makes a matching contribution equal to 100% of the amount each participant contributed during the plan year from their total pay, up to a maximum amount of 8% of the participant's base salary, provided the participant is employed on the last day of the plan year. We have no defined benefit pension plan for employees at this time.

We provide our Named Executive Officers with limited perquisites that the Committee believes are reasonable and competitive. In 2011, these perquisites included use of an automobile and an automobile parking space.

**2011 "Say-on-Pay" Advisory Vote on Executive Compensation**

At our 2011 Annual Meeting, we held a non-binding advisory vote on the compensation of our Named Executive Officers as disclosed in our 2011 Proxy Statement. Over 67% of the shares voted at our 2011 Annual Meeting of Shareholder approved our "say-on-pay" proposal. The Committee considered the results of the 2011 "say-on-pay" vote, as well as feedback it received from shareholders and a proxy advisory firm. The Committee instructed its compensation consultant to conduct a review of our Named Executive Officers' employment agreements and to report back to the Committee in 2012 on whether the Company should negotiate amendments to the employment agreements based on the review. Among the possible changes to be considered will be replacing the provisions in the agreements that provide for automatic annual extension of the agreement term with a provision that would require the affirmative action by the Company to renew the term. The Committee will continue to consider the views of our shareholders in connection with our executive compensation program and

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make improvements based upon evolving best practices, market compensation information, and changing regulatory requirements.

**Section 162(m)**

Section 162(m) of the Internal Revenue Code limits publicly-held companies to an annual deduction for federal income tax purposes of \$1,000,000 for compensation paid to its CEO and certain other officers. Performance-based compensation that meets certain requirements is excluded from this limitation under Section 162(m) of the Internal Revenue Code. In general, compensation qualifies as performance-based compensation under Section 162(m) of the Internal Revenue Code if (i) it is conditioned on the achievement of one or more pre-established, objective performance goals, (ii) such goal or goals are established by a committee of the Board consisting solely of two or more outside directors and (iii) certain material terms of the plan under which the compensation is payable are disclosed to and approved by the corporation's shareholders prior to payment. The Omnibus Incentive Plan and the Annual Performance Incentive Plan are designed to comply with these requirements; however, the Committee may approve compensation that will not meet these requirements.

**Compensation Committee Report**

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and Form 10-K.

DAVID K. MCKOWN,  
CHAIRMAN  
FREDERIC H. LINDBERG  
PETER J. MANNING

*The above report of the Compensation Committee of the Board of Directors does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this report by reference therein.*

Table of Contents**Summary Compensation Table**

The following table shows the cash and non-cash compensation for the 2011, 2010 and 2009 fiscal years awarded to or earned by the five individuals who served as our CEO, CFO, and the three other most highly compensated executive officers (the "Named Executive Officers" or "NEOs").

Name and Principal Position	Year	Salary	Stock	Non-Equity	All	Total
			Awards	Incentive	Other	
			(1)	Plan	(3)	
David F. Brussard <i>President, CEO and Chairman of the Board</i>	2011	\$ 782,253	\$ 1,200,000	\$	\$ 294,570	\$ 2,276,823
	2010	777,588	1,200,000	576,926	555,937	3,110,451
	2009	763,836	1,050,000	409,416	537,793	2,761,045
William J. Begley, Jr. <i>Vice President, CFO and Secretary</i>	2011	321,920	400,000		97,021	818,941
	2010	320,000	375,000	175,881	181,999	1,052,880
	2009	285,438	300,000	114,746	171,663	871,847
Daniel D. Loranger <i>Vice President</i>	2011	384,541	250,000		113,095	747,636
	2010	382,248	250,000	210,093	217,239	1,059,580
	2009	375,490	300,000	150,947	225,593	1,052,030
Edward N. Patrick, Jr. <i>Vice President</i>	2011	338,426	250,000		91,313	679,739
	2010	336,408	250,000	184,902	187,153	958,463
	2009	330,463	300,000	132,846	193,185	956,494
George M. Murphy <i>Vice President</i>	2011	266,590	425,000		87,853	779,443
	2010	265,000	350,000	145,651	139,622	900,273
	2009	225,000	275,000	90,450	115,002	705,452

- (1) This column shows the grant date fair value of stock awards computed in accordance with stock-based compensation accounting rules (FASB ASC Topic 718). The fair value per share of the stock awards is equal to the closing price of the Company's common stock on the grant date. Information concerning the stock awards is shown in the table below.

Grant Date	Grant Price
March 9, 2011	\$ 47.35
March 9, 2010	\$ 38.78
March 9, 2009	\$ 28.66

- (2) The amounts under this column consist of annual cash incentive awards earned in 2010 and 2009 under the Annual Performance Incentive Plan. For 2011, no cash incentive awards were earned.

- (3) The amounts under this column include the following items for 2011:

Name	EICP	EICP	401(k) Plan	Dividends	Other	Total
	Deferred	Company	Company	on	Compensation	
	Bonus	Match	Match	Restricted	(A)	
David F. Brussard	\$ 55,632	\$ 65,051	\$ 19,600	\$ 126,648	\$ 27,639	\$ 294,570
William J. Begley, Jr.	18,144	13,368	19,600	39,283	6,626	97,021
Daniel D. Loranger	19,200	19,178	19,600	29,535	25,582	113,095
Edward N. Patrick, Jr.	17,632	14,900	19,600	29,535	9,646	91,313



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George M. Murphy	15,600	12,359	16,500	37,965	5,429	87,853
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(A)

Other Compensation includes Company paid term life insurance premium for coverage exceeding \$50,000 (Mr. Brussard \$7,603, Mr. Begley \$4,586, Mr. Loranger \$23,542, Mr. Patrick \$7,606, and Mr. Murphy \$1,285), use of Company automobile by Mr. Brussard \$17,996 and Mr. Murphy \$2,104, and Company paid parking (\$2,040 each to Mr. Brussard, Mr. Begley, Mr. Loranger, Mr. Patrick, and Mr. Murphy).

Table of Contents**Grants of Plan-Based Awards**

The following table summarizes the 2011 grants of non-equity and equity plan-based awards to the NEOs. The non-equity plan-based awards were granted under the Annual Performance Incentive Plan and the equity plan-based awards were granted under the Omnibus Incentive Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards -Number of Shares of Stock or Units (#) (2)	Grant Date Fair Value of Stock and Option Awards (\$ (3)
		Threshold (\$)	Target (\$)	Maximum (\$)		
David F. Brussard	3/9/2011	\$ 312,901	\$ 625,802	\$ 938,704	25,343	\$ 1,200,000
William J. Begley, Jr.	3/9/2011	96,576	193,152	289,728	8,448	400,000
Daniel D. Loranger	3/9/2011	115,362	230,725	346,087	5,280	250,000
Edward N. Patrick, Jr.	3/9/2011	101,528	203,056	304,583	5,280	250,000
George M. Murphy	3/9/2011	79,977	159,954	239,931	8,975	425,000

- (1) These columns represent the range of cash bonus incentive payouts that were targeted for fiscal 2011 performance under the Annual Performance Incentive Plan as described above in *Compensation Discussion and Analysis*. For 2011, our financial performance was less than the threshold performance goal and accordingly, no incentive awards were earned or paid.
- (2) This column represents restricted stock awarded in fiscal 2011 under the Omnibus Incentive Plan. The restricted stock was awarded effective March 9, 2011 and vests over three years with installments of 30% on March 9, 2012, 30% on March 9, 2013, and the remaining 40% on March 9, 2014, provided the grantee is still an employee of the Company on such dates. The awards can also vest in certain termination and change in control scenarios, as discussed below in *Potential Payments Upon Termination or Change in Control*.
- (3) This column shows the grant date fair value of stock awards computed in accordance with stock-based compensation accounting rules (FASB ASC Topic 718). The fair value per share of the stock awards is equal to the closing price of the Company's common stock on the grant date. This amount is also reflected in the Stock Awards column in the Summary Compensation Table.

*Employment Agreements*

*David F. Brussard.* Under his employment agreement with us, Mr. Brussard agreed to serve as CEO and President of the Company for a five-year term ending December 31, 2009, which automatically renews for successive one-year terms thereafter, subject to at least 180 days' advance notice by either party of a decision not to renew the employment agreement. Under the terms of the employment agreement, Mr. Brussard is entitled to receive an initial annual base salary of \$675,000, to be increased on an annual basis to reflect increases in the cost of living index specified therein or as otherwise determined by the Board or the Committee. As determined in the sole discretion of the Board, Mr. Brussard is also eligible to receive an annual bonus based on performance. The employment agreement provides that if such an annual bonus is earned, it will not be less than 35% of the total amount of bonuses paid in such year to officers of the Company who hold positions entitled Vice President or higher. Mr. Brussard is also entitled to other benefits, including reimbursement of expenses, paid vacations, health, life and other similar insurance benefits and use of a Company car, all as determined by the Board.

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*Other Named Executive Officers.* We entered into employment agreements with Mr. Begley, Mr. Loranger and Mr. Patrick effective November 8, 2004 and with Mr. Murphy, effective October 1, 2005. Messrs. Begley's, Loranger's and Patrick's employment agreements provided for an initial

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three-year term which ended December 31, 2007. Mr. Murphy's employment agreement provided for an initial term of three years and three months, which ended December 31, 2008. Each of these agreements automatically renews for successive one-year terms unless either party provides written notice not to renew at least 180 days prior to the scheduled expiration date. Under their respective employment agreements, Messrs. Begley, Loranger, Patrick, and Murphy are entitled to receive initial annual base salaries of \$250,000, \$330,000, \$290,000, and \$150,000, respectively, to be increased on an annual basis to reflect increases in the cost of living index specified therein or as otherwise determined by the Board or the Committee. As determined in the sole discretion of the Board or the Committee, Messrs. Begley, Loranger, Patrick, and Murphy are each eligible to receive an annual bonus based on performance. In addition, Messrs. Begley, Loranger, Patrick, and Murphy are also entitled to other benefits, including reimbursement of expenses, paid vacations, health, life and other similar insurance benefits.

In 2011, the Committee approved short-term cash incentive award opportunities for our Named Executive Officers. The short-term cash incentive award opportunities are equal to a percentage of the Named Executive Officers' base salary. The award opportunities are reflected in the Grants of Plan Based Awards table. The amount earned depends on the degree to which the pre-established performance goals are achieved. We discuss the short-term incentive award opportunities and results in *Compensation Discussion and Analysis*.

*Omnibus Incentive Plan*

The Omnibus Incentive Plan provides for a variety of awards, including nonqualified stock options, incentive stock options, stock appreciation rights and restricted stock awards. The Committee has broad authority to administer the Omnibus Incentive Plan, including the authority to select plan participants, determine when awards will be made, determine the type and amount of awards, determine the exercise price of options and stock appreciation rights, determine any limitations, restrictions or conditions applicable to each award, determine the terms of any instrument that evidences an award, determine the manner in which awards may be exercised and interpret the Omnibus Incentive Plan's provisions.

The Omnibus Incentive Plan also contains provisions applicable upon a change in control. A description of these provisions and the effect they would have on the Named Executive Officers' outstanding awards can be found in the section entitled *Potential Payments Upon Termination or Change in Control*. Under the Omnibus Incentive Plan, unless otherwise provided in an award agreement, upon a termination by the Company for a reason other than for cause or disability, all unvested shares of restricted stock which were not granted during the year of termination will vest.

*Restricted Stock Awards*

In 2011, the Committee approved restricted stock awards for our Named Executive Officers under our Omnibus Incentive Plan. Provided there is no termination in service, the shares vest on March 9, 2012, 2013, and 2014 with respect to 30%, 30%, and 40% of the shares, respectively. The awards can also vest in certain termination and change in control scenarios, as discussed below in *Potential Payments Upon Termination or Change in Control*. The shares have voting and dividend rights and are held in custody by the Company during the period of restriction.

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*Equity Compensation Plan Information*

The following table sets forth information regarding all of our equity compensation plans as of December 31, 2011.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by shareholders (1)	125,700	\$ 37.63	718,859
Equity compensation plans not approved by shareholders			
<b>Total</b>	<b>125,700</b>	<b>\$ 37.63</b>	<b>718,859</b>

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(1) The equity compensation plan approved by shareholders is the 2002 Management Omnibus Incentive Plan, as amended, which we refer to in this Proxy Statement as the Omnibus Incentive Plan.

In addition to being available for future issuance upon exercise of stock options and stock appreciation rights, the 718,859 shares remaining available under the plan may also be issued in connection with restricted stock awards.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table shows the unexercised stock options, unvested restricted stock, and other equity incentive plan awards held at fiscal year-end December 31, 2011 by the NEOs.

Name	Stock Awards	
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (4)
David F. Brussard		
Restricted Stock (1)	14,654	\$ 593,194
Restricted Stock (2)	21,661	876,837
Restricted Stock (3)	25,343	1,025,885
William J. Begley, Jr.		
Restricted Stock (1)	4,188	169,530
Restricted Stock (2)	6,769	274,009
Restricted Stock (3)	8,448	341,975
Daniel D. Loranger		
Restricted Stock (1)	4,188	169,530
Restricted Stock (2)	4,513	182,686
Restricted Stock (3)	5,280	213,734
Edward N. Patrick, Jr.		
Restricted Stock (1)	4,188	169,530
Restricted Stock (2)	4,513	182,686
Restricted Stock (3)	5,280	213,734
George M. Murphy		
Restricted Stock (1)	3,838	155,362
Restricted Stock (2)	6,318	255,753
Restricted Stock (3)	8,975	363,308

- (1) Represents restricted stock awards effective March 9, 2009, which vest over three years with installments of 30% on March 9, 2010, 30% on March 9, 2011, and the remaining 40% on March 9, 2012, provided the grantee is still our employee on such dates.
- (2) Represents restricted stock awards effective March 9, 2010, which vest over three years with installments of 30% on March 9, 2011, 30% on March 9, 2012, and the remaining 40% on March 9, 2013, provided the grantee is still our employee on such dates.
- (3) Represents restricted stock awards effective March 9, 2011, which vest over three years with installments of 30% on March 9, 2012, 30% on March 9, 2013, and the remaining 40% on March 9, 2014, provided the grantee is still our employee on such dates.
- (4) The amounts in this column were calculated using a per share value of \$40.48, the closing market price of a share of our common stock on December 31, 2011.

Table of Contents**Option Exercises and Stock Vested**

The following table summarizes information with respect to restricted stock awards vested during the fiscal year ended December 31, 2011 for each of the NEOs.

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting (1)
David F. Brussard	32,006	\$ 1,497,300
William J. Begley, Jr.	9,393	439,563
Daniel D. Loranger	8,426	393,776
Edward N. Patrick, Jr.	8,426	393,776
George M. Murphy	8,380	392,462

(1)

Value determined by multiplying the number of vested shares by the closing market price of a share of our common stock on the vesting date or on the previous business day in the event the vesting date is not a business day.

There were no stock option awards exercised by the NEOs during the year ended December 31, 2011.

**Nonqualified Deferred Compensation**

The following table summarizes information with respect to the participation of each of the NEOs in the EICP, a non-qualified deferred compensation plan, as of December 31, 2011.

Name	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year (1)	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year End
David F. Brussard	\$ 86,734	\$ 389,724	\$ (146,278)	\$	\$ 5,292,437
William J. Begley, Jr.	17,824	119,339	(79,970)		1,167,815
Daniel D. Loranger	25,571	140,230	195		1,988,413
Edward N. Patrick, Jr.	19,866	126,080	(110,003)		1,762,013
George M. Murphy	16,479	85,916	(15,881)		429,460

(1)

Includes employer matching contributions credited to the NEOs' EICP accounts in January 2011 for the plan year ended December 31, 2010 on behalf of each NEO who contributed during the plan year (Mr. Brussard \$54,720, Mr. Begley \$9,585, Mr. Loranger \$15,492, and Mr. Patrick \$11,655.); and annual deferred compensation bonuses credited to the NEOs' EICP accounts in March 2011 and earned for the year ended 2010 under the EICP (Mr. Brussard \$335,004, Mr. Begley \$109,754, Mr. Loranger \$124,738, Mr. Patrick \$114,425, and Mr. Murphy \$85,916). The amounts in this column were reported in the Summary Compensation Table as compensation to the NEOs for 2010.

The EICP is a non-qualified deferred compensation plan designed to provide a means for retirement savings. With proper notice and approval by the Company, eligible employees may make elective deferral contributions of up to 75% of salary and 100% of annual cash incentives. We make a matching contribution annually in the amount of 75% of the participant's elective deferral up to a maximum amount of 8% of the participant's base salary plus annual cash incentive received during the plan year. We also make a fixed contribution annually in the amount of 1.75% of the combined statutory net income of our insurance subsidiaries. Elective deferrals, Company matching contributions, and the portion of the Company fixed contribution allocated to an eligible individual are credited to an account established for the individual. To measure gains and losses, the accounts are treated as though invested in mutual funds selected by the participants. Participants may change the mutual funds in which their accounts are notionally invested on a daily basis. The balance of an individual's account is distributed in a lump sum upon an employee's termination of employment, or six months thereafter if required to comply with applicable tax law, or upon change in control.





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Under the EICP, change in control is defined to mean a change in control event, as that term is used in Section 409A of the Internal Revenue Code. Section 409A defines a change in control event to include a change in ownership, a change in effective control, or a change in the ownership of a substantial portion of assets. A change in ownership of the corporation occurs when one person or a group acquires stock that combined with stock previously owned, controls more than 50% of the value or voting power of the stock of the corporation. A change in effective control occurs on the date that, during any 12-month period, either (i) any person or group acquires stock possessing 30% of the voting power of the corporation, or (ii) the majority of the board is replaced by persons whose appointment or election is not endorsed by a majority of the board. A change in ownership of a substantial portion of assets occurs on the date that a person or a group acquires, during any 12-month period, assets of the corporation having a total gross fair market value equal to 40% or more of the total gross fair market value of all of the corporation's assets. The definition also contains exceptions that may cause a transaction or event meeting one of the foregoing definitions not to constitute a change in control event if the acquired or selling entity, or its shareholders, retains, directly or indirectly, a sufficient interest in the surviving or acquiring entity.

**Potential Payments Upon Termination or Change in Control**

As previously discussed, we have entered into employment agreements with each of the Named Executive Officers. Certain provisions relating to termination of employment and change in control are common to each of the employment agreements. These common provisions include, among other things, the following:

if the executive's employment is terminated by us for a reason other than cause, material breach, death, disability or continuous poor performance, or is terminated by the executive for good reason or as a result of our willful and material violation of the executive's employment agreement or certain other agreements between the executive and us, then we must provide (i) any earned but unpaid base salary and bonus, (ii) a lump sum payment equal to the annual salary he would have received during the remaining term of his employment agreement; and (iii) life and health insurance benefits (but not disability insurance benefits) substantially similar to those the executive and any covered dependents were receiving immediately prior to the date of termination through the remaining portion of the term of his employment agreement (collectively, the "Severance Payment");

if the executive's employment is terminated by us for a reason other than cause, material breach, death, disability or continuous poor performance, or is terminated by the executive for good reason or as a result of our willful and material violation of the executive's employment agreement or certain other agreements between the executive and us, in each case, within three years after a change in control, then we must provide the greater of the Severance Payment or the following: (i) any earned but unpaid base salary and bonus, (ii) a lump sum payment equal to, for the CEO and CFO, three times, and for the remaining Named Executive Officers, two times, the sum of (1) the executive's base salary in effect immediately prior to the date of termination and (2) the most recent annual bonus paid to the executive, and (iii) life and health insurance benefits for a three-year period after the date of termination (for the CEO and CFO) and for the two-year period after the date of termination (for the remaining Named Executive Officers);

the agreements provide for excise tax gross-up payments that reimburse the executives for any excise taxes they may incur under Section 4999 of the Internal Revenue Code;

the agreements contain non-competition and non-solicitation provisions; and

each executive has agreed not to disclose confidential information.

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For purposes of these employment agreements,

Change in control is defined, in general terms, to mean the closing of (i) a merger, combination, consolidation or similar business transaction involving the Company after which our shareholders cease to own a majority of the surviving entity, directly or indirectly, (ii) a sale or transfer of all or substantially all of our assets, other than to an entity the majority of which is owned by our shareholders or (iii) a sale of a majority of the Company's common shares, other than to an entity the majority of which is owned by our shareholders;

Cause means the executive's (i) commission or conviction of any crime or criminal offense involving monies or other property or any felony; (ii) commission or conviction of fraud or embezzlement; (iii) uncured material and knowing violation of any obligations imposed upon him personally; or (iv) egregious misconduct involving serious moral turpitude;

Good reason means (i) a material reduction in the executive's authority, perquisites, position, or responsibilities; (ii) relocation of our primary place of business or the executive to another office more than 75 miles from Boston, Massachusetts; or (iii) our willful and material violation of the employment agreement or any agreement between the executive and us; in each case that is uncured;

Material breach means the executive's uncured (i) breach of any of his fiduciary duties to us or our shareholders or making of a willful misrepresentation or omission, in each case which would reasonably be expected to materially adversely affect our business, properties, assets, condition (financial or other) or prospects; (ii) willful, continual and material neglect or failure to discharge his duties, responsibilities or obligations; (iii) habitual drunkenness or substance abuse which materially interferes with the executive's ability to discharge his duties, responsibilities or obligations; or (iv) willful and material violation of any non-competition, non-disparagement, or confidentiality agreement.

*Omnibus Incentive Plan*

Under the Omnibus Incentive Plan, upon a termination by the Company for a reason other than for cause or disability, all unvested shares of restricted stock which were not granted during the year of termination will vest. Under the Omnibus Incentive Plan, "cause" means (i) the willful engaging by the participant in misconduct that is demonstrably injurious to the Company (monetarily or otherwise), as determined by the Board in its sole discretion, (ii) the participant's conviction of, or pleading guilty or nolo contendere to, a felony involving moral turpitude, (iii) the participant's violation of any confidentiality, non-solicitation, or non-competition covenant to which the participant is subject, or (iv) the participant's poor performance, as determined by reasonable business objectives, after written notice from the Company and a reasonable opportunity to correct such poor performance. If, while any award granted under the Omnibus Incentive Plan remains outstanding, a change in control of the Company occurs, then all restrictions on restricted stock awards will lapse.

Under the Omnibus Incentive Plan, a change in control is defined, in general terms, to include the closing of (i) a merger, combination, consolidation or similar business transaction involving the Company after which our shareholders cease to own a majority of the surviving entity, directly or indirectly; (ii) a sale or transfer of all or substantially all of our assets, other than to an entity the majority of which is owned by our shareholders; or (iii) a sale of a majority of the Company's Common Shares, other than to an entity the majority of which is owned by our shareholders.

The following table sets forth the estimated incremental payments and benefits, beyond existing compensation and benefit entitlements described in this Proxy Statement that are not contingent upon a termination or change in control, payable to each NEO upon termination of his employment or a change in control of the Company, assuming that the triggering event occurred on December 31, 2011.

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We have not included amounts that would be provided upon a termination of employment under contracts, agreements, plans or arrangements, such as our 401(k) plan or our vacation policy, to the extent they are available generally to all of our salaried employees and do not discriminate in scope, terms, or operation in favor of our executive officers. Amounts shown below include amounts in the NEOs' EICP deferred compensation accounts as of December 31, 2011.

Name	Change in Control		Involuntary Termination			
	Without Termination (1)	Termination Without Cause or For Good Reason (2)	With Cause (3)	Without Cause (4)	Resignation For Good Reason (5)	Death or Disability (6)
David F. Brussard	\$ 8,414,155	\$ 16,468,658	\$ 5,491,170	\$ 7,557,400	\$ 6,087,369	\$ 8,583,285
William J. Begley, Jr.	2,146,481	4,803,156	1,251,463	1,945,945	1,502,406	2,287,920
Daniel D. Loranger	2,785,088	3,999,714	2,087,718	2,737,849	2,385,633	2,951,583
Edward N. Patrick, Jr.	2,531,019	4,697,880	1,849,810	2,465,418	2,113,202	2,679,152
George M. Murphy	1,363,837	2,865,691	499,198	1,119,528	708,413	1,482,836

(1)

If there is a change in control but there is no termination of employment, the NEO would not be entitled to receive any incremental benefit under his respective employment agreement with the Company. However, the vesting or distribution of certain existing compensation reported previously in this Proxy Statement would be accelerated. Amounts in the "Without Termination" column above include the following:

*Equity Awards.* Under the Omnibus Incentive Plan, upon a change in control, any restrictions imposed upon restricted stock awards will lapse. The estimated value as of December 31, 2011 of the previously granted restricted stock awards that would have been accelerated for each NEO is as follows: Mr. Brussard \$2,495,916; Mr. Begley \$785,514; Mr. Loranger \$565,950; Mr. Patrick \$565,950; and Mr. Murphy \$774,423. The estimated value of restricted stock awards was calculated based upon the closing price of our common stock on December 31, 2011.

*Annual Incentive.* Under the Annual Performance Incentive Plan, upon a change in control, all performance objectives for the current Performance Period would be deemed to have been achieved at target levels of performance. The amount payable to each NEO based upon such assumed performance as of December 31, 2011 would have been as follows: Mr. Brussard \$625,802; Mr. Begley \$193,152; Mr. Loranger \$230,725; Mr. Patrick \$203,056; and Mr. Murphy \$159,954.

*Deferred Compensation Balances.* Upon a change in control, the NEOs would be entitled to receive any amounts previously deferred under the EICP (reported as of December 31, 2011 in Balance at Last Fiscal Year End column of the Nonqualified Deferred Compensation Table in this Proxy Statement).

(2)

In addition to the incremental payment amounts estimated upon a change in control without termination, if there is a change in control followed by termination by the Company for a reason other than cause, material breach, poor performance, death or disability or by the executive for good reason, the NEO would be entitled to incremental payments and benefits under his respective employment agreement with the Company. Amounts in the "Termination Without Cause or For Good Reason" column include, in addition to the incremental payment amounts estimated upon a change in control without termination, the following:

*Lump Sum Payments.* The amount payable at three times annual base plus bonus for Mr. Brussard and Mr. Begley and at two times annual base plus bonus for the remaining NEOs would have been as follows: Mr. Brussard \$4,077,537; Mr. Begley \$1,493,403; Mr. Loranger \$1,189,268; Mr. Patrick \$1,046,656; and Mr. Murphy \$824,482.

*Life and Health Insurance Benefits.* The NEOs are entitled to Company provided life and health benefits for three years after the termination date for Mr. Brussard and Mr. Begley and two years after the termination date for the remaining NEOs. The amounts are estimated as follows: Mr. Brussard \$38,037; Mr. Begley \$38,013; Mr. Loranger \$25,358; Mr. Patrick \$25,526; and Mr. Murphy \$24,726.

*Excise Tax Gross-up Payments.* The estimated reimbursement to the NEOs for excise tax payments they may have incurred are as follows: Mr. Brussard \$3,938,929; Mr. Begley \$1,125,259; Mr. Loranger \$0; Mr. Patrick \$1,094,679; and Mr. Murphy \$652,646.

(3)

Amounts in this column reflect incremental amounts payable upon a termination of the NEO's employment by the Company for cause or due to the NEO's poor performance or material breach. The estimated incremental payments shown in this column include amounts deferred as of December 31, 2011 under the EICP, plus three months of base salary and life and health benefits estimated as follows: Mr. Brussard \$198,733; Mr. Begley \$83,648; Mr. Loranger \$99,305; Mr. Patrick \$87,797; and Mr. Murphy \$69,738. Amounts deferred under the EICP are fully vested and therefore would



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be payable upon a termination of employment for any reason, including a termination of the NEO's employment by the Company for cause or due to the NEO's poor performance or material breach. The three months' of base salary and life and health benefits would be payable upon the Company's termination of the NEO's employment due to the NEO's poor performance, but would not be payable upon the Company's termination of the NEO's employment with cause or due to his material breach.

- (4) The estimated incremental payments shown in this column include amounts deferred as of December 31, 2011 under the EICP, plus the following incremental payments and benefits included in this column.

*Lump Sum Payments.* The amount payable equal to the annual base salary which would have been due under the remaining term of the NEOs employment contracts are as follows: Mr. Brussard \$782,253; Mr. Begley \$321,920; Mr. Loranger \$384,541; Mr. Patrick \$338,426; and Mr. Murphy \$266,590.

*Equity Awards.* Under the Omnibus Incentive Plan, if the termination by the Company is for a reason other than cause, all unvested shares of restricted stock which were not granted during the year in which the termination occurs will vest. The estimated value as of December 31, 2011 of the previously granted awards that would have been accelerated for each NEO is as follows: Mr. Brussard \$1,470,031; Mr. Begley \$443,539; Mr. Loranger \$352,216; Mr. Patrick \$352,216; and Mr. Murphy \$411,115. The estimated value of restricted stock awards was calculated based upon the closing price of our common stock on December 31, 2011.

*Life and Health Insurance Benefits.* The NEOs are entitled to Company provided life and health benefits equal to the benefits which would have been provided under the remaining term of their respective employment contracts. The amounts are estimated as of December 31, 2011 as follows: Mr. Brussard \$12,679; Mr. Begley \$12,671; Mr. Loranger \$12,679; Mr. Patrick \$12,763; and Mr. Murphy \$12,363.

- (5) The estimated payments shown in this column include amounts deferred as of December 31, 2011 under the EICP, the lump sum payments and life and health insurance benefits as shown in note (4). Under the Omnibus Incentive Plan, if the termination by the NEO is for good reason, all unvested shares of restricted stock will be forfeited. Hence, the amounts shown in this column do not include an incremental benefit related to equity awards.

- (6) The estimated incremental payments shown in this column include amounts deferred as of December 31, 2011 under the EICP, a lump sum payment equal to 100% of the NEO's base salary, Company provided life and health insurance benefits for one year, and the estimated value of all unvested restricted stock awards as of December 31, 2011 as shown in note (1).

**Compensation Policies and Practices as They Relate to the Company's Risk Management**

The Compensation Committee considers, among other things, in establishing and reviewing our executive compensation program, whether the program pays the executives for performance and whether the program encourages unnecessary or excessive risk taking. The Compensation Committee reviews annually the principal components of executive compensation and believes that our allocation of compensation among base salary and annual and long-term incentives encourages our executives to deliver strong results for our shareholders without taking excessive risk. We set base salaries at levels that provide our executives with assured cash compensation that, when combined with annual and long-term incentive awards, motivates them to perform at a high level without encouraging inappropriate risk taking to achieve a reasonable level of compensation. With respect to incentive opportunities under our annual incentive plan, we believe that our use of measurable corporate financial performance goals and multiple performance levels associated with minimum, target and maximum achievable payouts, together with the Compensation Committee's discretion to reduce awards, serve to mitigate against excessive risk taking. We also believe that our strategic balancing of annual incentives and long-term incentives in the form of restricted stock, with multi-year vesting schedules, encourages our executives to deliver incremental value to our shareholders while discouraging short-term risk taking that could negatively affect the value of their long-term awards. The Compensation Committee believes that these incentive plans appropriately balance risk, payment for performance and the desire to focus executives on specific financial and leadership measures and that they do not encourage unnecessary or excessive risk taking. We believe that the Company's compensation policies and practices for all employees, including non-executive officers, are reasonable and do not create any material risk or adverse effect on the Company.

Table of Contents**DIRECTOR COMPENSATION**

Our bylaws provide that at the discretion of the Board, the directors may be paid their expenses, if any, at each meeting of the Board and may be paid a fixed sum for attendance at each meeting of the Board or a stated salary as a director. Since we completed our initial public offering of common stock on November 27, 2002, directors who are employees have not received any compensation for serving as directors and directors who were not our employees have received an annual retainer paid in quarterly installments. The current annual directors fees are \$60,000 annually per non-management director, plus an additional \$10,000 annually to the Chairman of the Audit Committee an additional \$5,000 annually to the Chairman of our Compensation Committee, the Chairman of our Nominating and Governance Committee, and the Chairman of our Investment Committee.

On March 9, 2011, the Compensation Committee approved grants of 1,000 shares of restricted stock to each of our non-employee directors effective on such dates. The shares cannot be sold, assigned, pledged, or otherwise transferred, encumbered or disposed of until the recipient is no longer a member of our Board.

The following table sets forth the fees paid to the non-employee members of the Board for services provided in 2011.

Name (1)	Fees Earned or Paid in Cash	Stock Awards (2)	All Other Compensation	Total
A. Richard Caputo, Jr.	\$ 59,333	\$ 47,350	\$	\$ 106,683
Frederic H. Lindeberg	59,333	47,350		106,683
Peter J. Manning	64,333	47,350		111,683
David K. McKown	59,333	47,350		106,683

(1) David F. Brussard, Chairman of the Board and our president and CEO is not included in this table as he is also an employee and receives no separate compensation for service on our Board.

(2) The amounts in this column represent 1,000 shares granted to each Director multiplied by \$47.35, the closing price of the stock on March 9, 2011, the date of the grant. As of December 31, 2011, no directors who are not our employees held unvested stock awards or unexercised stock options, with the exception of Frederic H. Lindeberg who held 6,000 unexercised stock options awarded on August 30, 2004.

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**REPORT OF THE AUDIT COMMITTEE**

The primary purpose of the Audit Committee is to assist the Board in its general oversight of the Company's accounting and financial reporting process, and is more fully described in its charter which the Board and the Audit Committee have adopted and is included as Appendix A to this Proxy Statement.

Each member of the Audit Committee satisfies the definition of an "independent director" as established by Rule 4200 of the NASDAQ Marketplace Rules. The Audit Committee is a separately-designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over the accounting and financial reporting process. PwC is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to express an opinion on the financial statements and on the Company's internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes.

In connection with the audit of the Company's consolidated financial statements for the year ended December 31, 2011 the Audit Committee has:

reviewed and discussed the audited consolidated financial statements with management and PwC;

discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended;

received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent auditors their independence;

met and held discussions with the head of the Company's internal audit group; and

reviewed our written charter and practices and determined that they meet the applicable requirements of the NASDAQ Marketplace Rules and the SEC.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and be filed with the SEC.

Respectfully submitted,

PETER J. MANNING,  
CHAIRMAN  
FREDERIC H. LINDBERG  
DAVID K. MCKOWN

*The above report of the Audit Committee of the Board of Directors does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this report by reference therein.*

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT**

The following table sets forth certain information as of April 2, 2012 with respect to the beneficial ownership of shares of common stock by the following individuals: (a) each person who is known to the Company to be the beneficial owner of more than 5% of the outstanding shares of such stock; (b) each of our directors and director nominees; (c) each of our Named Executive Officers; and (d) all of our directors, director nominees and executive officers as a group. Except as stated below, each holder listed below has sole or shared investment and/or voting power with respect to the shares of common stock beneficially owned by the holder, subject to community property laws where applicable. The information in the table and the related notes has been furnished by or on behalf of the indicated owners.

Name and Address of Beneficial Owner	Amount of Shares Beneficially Owned	Percentage of Class (9)
<b>(a) Security ownership of certain beneficial owners:</b>		
Neuberger Berman Group, LLC (1) 605 Third Avenue New York, NY 10158	1,437,349	9.4%
SRB Corporation (2) 100 Summer Street Boston, MA 02110	1,347,591	8.8%
JZ Capital Partners Limited (3) Gategny Esplanade, St. Peter Port Guernsey, GY1 3NQ, Channel Islands	1,157,123	7.6%
BlackRock, Inc. (4) 40 East 52nd Street New York, New York 10022	1,086,550	7.1%
Dimensional Fund Advisors LP (5) 6300 Bee Cave Road Austin, Texas 78746	1,016,091	6.6%
Westwood Management Corporation (6) 200 Crescent Court, Suite 1200 Dallas, Texas 75201	759,115	5.0%
<b>(b) Security ownership of directors and director nominees:</b>		
David F. Brussard	489,843	3.2%
A. Richard Caputo, Jr. (7)	165,027	1.1%
Frederic H. Lindeberg (8)	21,000	0.1%
Peter J. Manning *	8,500	0.1%
David K. McKown *	8,000	0.1%
<b>(c) Security ownership of Named Executive Officers:</b>		
David F. Brussard	489,843	3.2%
Daniel D. Loranger	272,896	1.8%
Edward N. Patrick, Jr.	168,393	1.1%
William J. Begley, Jr.	104,844	0.7%
George M. Murphy	31,657	0.2%
<b>(d) All directors, director nominees and executive officers as a group (12 persons) (8)</b>	<b>1,459,499</b>	<b>9.5%</b>

\*

Nominee for director.

(1)

Based on Schedule 13G/A, dated February 17, 2012, filed by Neuberger Berman Group, LLC which states shared voting power over 1,271,649 shares and shared dispositive power over 1,437,349 shares.



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- (2) Based on Schedule 13G/A, dated January 24, 2012, filed by SRB Corporation which states shared voting power and shared dispositive power over 1,347,591 shares.
- (3) JZ Capital Partners Limited is an investment trust listed on the London Stock Exchange. Its business is to invest, primarily in the United States, in debt and equity securities recommended by Jordan/Zalaznick Advisors, Inc., a Delaware corporation based in New York that is its sole investment advisor. The Jordan Company LP is an affiliate of Jordan/Zalaznick Advisors, Inc. JZ Capital Partners Limited is governed by a board of independent directors.
- (4) Based on Schedule 13G/A, dated January 20, 2012, filed by BlackRock, Inc. which states sole voting power and sole dispositive power over all 1,086,550 shares.
- (5) Based on Schedule 13G/A, dated February 10, 2012, filed by Dimensional Fund Advisors LP which states sole voting power over 991,093 shares and sole dispositive power over 1,016,091 shares.
- (6) Based on Schedule 13G, dated February 14, 2012, filed by Westwood Management Corporation which states sole voting power over 672,665 shares, shared voting power over 18,785 shares and sole dispositive power over 759,115 shares.
- (7) Mr. Caputo is a Partner and Managing Principal of The Jordan Company, LP, the private investment firm that with management conducted the acquisition of the Company in October 2001.
- (8) Includes shares which, as of the record date, may be acquired within sixty days pursuant to the exercise of options, which shares are treated as outstanding for purposes of determining beneficial ownership and computing the percentage set forth (Mr. Lindeberg 4,000 shares and all directors, director nominees and executive officers as a group 4,000 shares).
- (9) Percentage of class refers to percentages of class beneficially owned as the term beneficial ownership is defined in Rule 13d-3 under the Securities Exchange Act of 1934 and is based upon the 15,301,208 shares of common stock outstanding and eligible to vote on the Record Date.

The mailing address of each director, director nominee, and executive officer shown above is c/o Safety Insurance Group, Inc., 20 Custom House Street, Boston, MA 02110.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and persons who own more than ten percent of the Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of the Common Stock and other equity securities, if any. Executive officers, directors and greater than ten percent beneficial owners are required to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on the Company's review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2011, all Section 16(a) filing requirements applicable to its executive officers, directors and greater than ten percent beneficial owners were complied with.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Our Compensation Committee consists of David K. McKown (Chairman), Frederic H. Lindeberg and Peter J. Manning, who are three independent non-employee directors who have no "interlocking" relationships as defined by the SEC, or other relationships with us that would call into question their independence as a member of the Compensation Committee. During fiscal year 2011, none of our executive officers served (i) as a member of the compensation committee or board of directors of another entity, one of whose executive officers served on our compensation committee, or (ii) as a member of the compensation committee of another entity, one of whose executive officers served on our board.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Transactions with Affiliates of The Jordan Company, LP.**

Mr. A. Richard Caputo, Jr., a member of our Board of Directors and the Chairman of our Investment Committee, is a principal of The Jordan Company, LP ("Jordan"). In 2011, the Company participated as a lender in two loans made by syndicates of lenders to portfolio companies in which funds managed by Jordan are controlling or significant investors. The first of these loans, made to Sensus USA Inc., currently bears interest at a rate of 8.5% per annum and matures May 9, 2016, and the second, made to Pro Mach, Inc., currently bears interest at a rate of 6.25% per annum and matures on September 30, 2017. Each of these loans amortizes in equal quarterly installments of 0.25% of the principal amount per quarter. The Company's participation in the Sensus USA Inc. loan was \$2.5 million and its participation in the Pro Mach, Inc. loan was \$2.0 million. The Company made these loans on the same terms as the other lenders participating in the respective syndicate. In December 2010, the Company took a \$2.5 million participation in a similar loan to a third Jordan portfolio company, Precision Engineering Products, LLC. This loan currently bears interest at 5.25% per annum and matures on December 22, 2015. Each of these loans was subject to the approval of the full Investment Committee, consisting of Messrs. Brussard and Begley in addition to Mr. Caputo.

**Review and Approval of Related Party Transactions**

We have adopted and maintain a code of business conduct and ethics that applies to all directors, executive officers and employees. The code covers matters that we believe are supportive of high standards of ethical business conduct, including those regarding legal compliance, conflicts of interest, insider trading, maintenance of corporate books and records, gifts and entertainment, political contributions, confidentiality, public communications, special obligations applicable to our CFO and members of the audit committee, and standards and procedures for compliance with the code. Among other things, the code covers all transactions required to be disclosed in this related party transactions section of the proxy statement. The code can be found on our website at [www.SafetyInsurance.com](http://www.SafetyInsurance.com). Shareholders may also obtain a copy of the code by writing to the Office of Investor Relations at the address set forth under "Available Information."

The code does not distinguish between potential conflict of interest transactions involving directors or executive officers and those involving other employees. It notes that all covered persons shall be responsible for the enforcement of the policies set forth in the code and will be held accountable for any violations of the code. Any of our officers or employees having any information or knowledge regarding any transaction or activity prohibited by the code shall promptly report the same to our CFO, who shall review and determine whether to approve of potential conflicts of interest for employees. Review and approval of potential conflicts of interests of officers and directors shall be made by the Audit Committee of our Board of Directors.

The code does not expressly set forth the standards that would be applied in reviewing, approving or ratifying transactions in which our directors, executive officers or 5% stockholders have a material interest. We expect that in connection with the review, approval or ratification of any such transaction, our CFO and Audit Committee will be provided with all material information then available regarding the transaction, the nature and extent of the director's, executive officer's or 5% stockholder's interest in the transaction, and the terms upon which the products, services or other subject matter of the transaction could be provided by alternative sources. We expect that any such transaction would be approved or ratified only if our CFO or Audit Committee, as applicable, concluded in good faith that it was in our interest to proceed with it. We expect that pre-approval will be sought for any such transaction when practicable, and when pre-approval is not obtained, that any such transaction will be submitted for ratification as promptly as practicable.

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**OTHER MATTERS**

**Inspectors of Election**

Computershare Trust Company, N.A., P.O. Box 43023, Providence, RI 02940-3078, Tel. 1-781-575-2879, [www.computershare.com](http://www.computershare.com), has been appointed as Inspectors of Election for the Company's 2012 Annual Meeting. Representatives of Computershare will attend the 2012 Annual Meeting to receive votes and ballots, supervise the counting and tabulating of all votes and ballots, and determine the results of the vote.

**Delivery of Documents to Shareholders Sharing an Address**

We have adopted a procedure approved by the SEC, called "householding." Under this procedure, shareholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our Annual Report and Proxy Statement unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. This procedure will reduce our printing costs and postage fees. Shareholders who participate in householding will continue to receive separate proxy cards. Also, householding will not in any way affect dividend check mailings. If you are eligible for householding, but you and other shareholders of record with whom you share an address currently receive multiple copies of our Annual Reports and/or Proxy Statements, or if you hold stock in more than one account, and in either case you wish to receive only a single copy of the Annual Report or Proxy Statement for your household, please contact our transfer agent, Computershare (in writing: P.O. Box 43023, Providence, RI 02940-3078; by telephone: 1-781-575-2879). If you participate in householding and wish to receive a separate copy of the 2011 Annual Report or this Proxy Statement, or if you do not wish to participate in householding and prefer to receive separate copies of future Annual Reports and/or Proxy Statements, please contact Computershare as indicated above. Beneficial shareholders can request information about householding from their banks, brokers or other holders of record. The Company hereby undertakes to deliver promptly upon written or oral request, a separate copy of the Annual Report to Our Shareholders, or Proxy Statement, as applicable, to a Company shareholder at a shared address to which a single copy of the document was delivered.

**Available Information**

**The Company is subject to the informational reporting requirements of the Securities Exchange Act of 1934. In accordance therewith, the Company files reports, proxy statements and other information with the SEC. The Company will provide to any shareholder, upon request and without charge, copies of all documents (excluding exhibits unless specifically requested) filed with the SEC. Written, telephone, fax or e-mail requests should be directed to the Office of Investor Relations, Safety Insurance Group, Inc., 20 Custom House Street, Boston, MA 02110, Tel: 877-951-2522, Fax: 617-603-4837, or e-Mail to [InvestorRelations@SafetyInsurance.com](mailto:InvestorRelations@SafetyInsurance.com). These documents are also made available on the Company's website, [www.SafetyInsurance.com](http://www.SafetyInsurance.com), as soon as reasonably practicable after each SEC Report is filed with or furnished to the SEC.**

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**Shareholder Proposals for the 2013 Annual Meeting of Shareholders**

Any shareholder proposals intended to be presented at our 2013 Annual Meeting and considered for inclusion in our proxy materials must be received by December 21, 2012. Any shareholder proposals intended to be presented at our 2013 Annual Meeting and not included in our proxy materials must comply with the advance notice provisions in Article II, Section 2 and Article III, Section 1 of our bylaws. Notices must be received by December 21, 2012. In addition, shareholders who wish to nominate directors for election or make other proposals must comply with the procedures described in our bylaws. All shareholder proposals should be directed to our Secretary, William J. Begley, Jr., at our address listed on page 1 of this Proxy Statement.

By Order of the Board of Directors,

WILLIAM J. BEGLEY, JR.

*Vice President, Chief Financial Officer and Secretary*

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**APPENDIX A**

**Safety Insurance Group, Inc.  
AUDIT COMMITTEE CHARTER**

As approved by the Audit Committee and Board on April 7, 2005

This Charter (this "Charter") of the Audit Committee has been adopted by the Board of Directors (the "Board") of Safety Insurance Group, Inc (the "Company").

**I. General Statement of Purpose**

The Audit Committee of the Board of the Company assists the Board in general oversight and monitoring of: (i) the integrity and audits of financial statements of the Company; (ii) the independent auditor's qualifications and independence; (iii) the performance of the Company's internal audit function and independent auditors; (iv) the accounting and financial reporting processes of the Company; and (v) the Company's procedures for compliance with legal and regulatory requirements.

**II. Audit Committee Composition**

The Audit Committee shall be comprised of a minimum of three directors as appointed by the Board, who shall meet the independence and audit committee composition requirements of the Marketplace Rules promulgated by the National Association of Securities Dealers, Inc., as may be modified or supplemented, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, the rules and regulations of the U.S. Securities and Exchange Commission (the "Commission") and any applicable requirements of state law. Each member of the Audit Committee shall be able to read and understand fundamental financial statements, including a balance sheet and statements of operations, comprehensive income and cash flows, and to the extent required, at least one member shall be an "Audit Committee Financial Expert" as such term is defined by the Commission.

The members of the Audit Committee shall be elected by the Board and shall continue to serve as such until the next annual meeting of the Board or until their respective successors are designated. Any vacancy that might arise in the membership of the Audit Committee shall be filled by appointment of the Board.

**III. Meetings**

The Audit Committee will meet as often as may be deemed necessary or appropriate and at such times and places as it shall determine, but not less frequently than quarterly. The Audit Committee will meet periodically with management, the internal auditors and the independent auditor in separate executive sessions. The Audit Committee will record the actions taken at such meetings and will report to the Board with respect to its meetings.

**IV. Responsibilities and Authority**

The Audit Committee shall have the sole authority to appoint, replace, determine funding for, and oversee the independent auditor. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, or performing other audit, review or attest services for the Company. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall preapprove all auditing and review services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor in accordance with applicable rules and regulations.

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The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

The Audit Committee shall be responsible for (i) ensuring its receipt of a formal written statement delineating all relationships between the independent auditor and the Company from the independent auditors, consistent with Independence Standards Board Standard No. 1, as may be modified or supplemented; (ii) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors; and (iii) taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor.

The Audit Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

**V. Audit Committee Principal Processes**

The principal processes of the Audit Committee will generally include the following which are set forth as a guide with the understanding that the Audit Committee may supplement them as appropriate:

A.

Financial Statement and Disclosure

1. Review and discuss with management and the independent auditor the annual earnings release and annual audited financial statements, including disclosures made in management's discussion and analysis.
2. Review and discuss with management and the independent auditor the Company's quarterly earnings releases and quarterly financial statements prior to the filing of its Form 10-Q, including disclosures made in management's discussion and analysis and the results of the independent auditor's review of the quarterly financial statements.
3. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
4. Review and discuss quarterly reports from the independent auditors on: (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
5. Review management's conclusions about the Company's disclosure controls and procedures.
6. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of

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activities or access to requested information, and any significant disagreements with management.

7. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

**B.**  
Oversight of the Company's Relationship with the Independent Auditor

1. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and internal auditors.
2. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

**C.**  
Oversight of the Company's Internal Audit Function

1. Review the appointment and replacement of the senior internal auditing executive.
2. Review the significant reports to management prepared by the internal auditing department and management's responses.
3. Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.

**VI. Annual Evaluation**

The Audit Committee shall review and reassess this Charter on an annual basis.

**VII. Limitation of Audit Committee's Role**

Notwithstanding the responsibilities and powers of the Audit Committee set forth in this Charter, the Audit Committee does not have the responsibility of planning or conducting audits of the Company's financial statements or determining whether or not the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles or the rules of the Commission. Such responsibilities are the duty of management and the independent auditor.

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**APPENDIX B**

**Safety Insurance Group, Inc.  
COMPENSATION COMMITTEE CHARTER**

As approved by the Compensation Committee and the Board on March 25, 2004

This Charter (this "Charter") of the Compensation Committee (the "Committee") has been adopted by the Board of Directors (the "Board") of Safety Insurance Group, Inc. (the "Company").

**I. General Statement of Purpose**

The Committee shall assist in fulfilling the Board's oversight responsibilities relating to compensation including, but not limited to: (i) reviewing and making recommendations to the Board on the Company's compensation practices and policies; (ii) determining or recommending to the Board for determination, the salaries and incentive compensation of the Chief Executive Officer and all other executive officers; and (iii) administering and interpreting the Company's equity-based plans. The Committee shall also prepare the report required to be included in the Company's annual proxy statements pursuant to the rules promulgated by the United States Securities and Exchange Commission.

**II. Responsibilities and Authority**

In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

- a. The Committee shall approve, and review at least annually, the terms of any agreement providing for the compensation of the Chief Executive Officer. If there is no such agreement in place, or if such agreement provides for compensation based upon a determination by the Board, the Committee shall determine, or recommend to the Board for determination, the Chief Executive Officer's annual compensation, including salary, bonus, incentive and equity compensation.
- b. The Committee shall approve, and review at least annually, the terms of any agreement providing for the compensation of any executive officer of the Company. If there is no such agreement in place, or if such agreement provides for compensation based upon a determination by the Board, the Committee shall determine, or recommend to the Board for determination, the annual compensation, including salary, bonus, incentive and equity compensation of such executive officers.
- c. To consider and take actions with respect to adoption, amendment, administration or termination of long-term incentive plans, equity/stock plans (subject to paragraph d below), retirement or pension plans, and other plans related to compensation of current and former employees of the Company.
- d. To review the terms and conditions of compensation and incentive plans, evaluate the performance of compensation and incentive plans, and approve, and recommend to the Board for its approval, the initial adoption of any equity-based plans and any material modifications to such plans (such as an increase in the number of shares of the Company's common stock available for grant thereunder) as the Committee deems appropriate.
- e. To recommend to the Board the compensation of outside directors.
- f. To delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion.
- g. To exercise such additional powers as may be reasonably necessary, in the Committee's discretion, to fulfill its responsibilities hereunder.





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**III. Outside Advisors**

The Committee, acting by majority vote, shall have the authority to retain and terminate compensation consultants to assist in the evaluation of Chief Executive Officer or executive officer compensation, including sole authority to approve such consultants' fees and any other retention terms. The Committee, acting by majority vote, shall also have sole authority to obtain advice and assistance from internal or external legal, accounting or other advisors to assist the Committee in fulfilling its responsibilities hereunder.

**IV. Annual Evaluation**

The Committee shall review this Charter annually and recommend to the Board any improvements to this Charter it deems necessary.

**V. Membership**

The Committee shall consist of no fewer than two (2) directors, as determined by the Board. Each Committee member shall meet the independence requirements of the Marketplace Rules promulgated by the National Association of Securities Dealers, Inc., as determined by the Board, and any other requirements set forth in applicable laws, rules and regulations.

Committee members shall be appointed annually by a majority vote of the Board on the recommendation of the Nominating and Corporate Governance Committee. The Committee members may be removed, with or without cause, by a majority vote of the Board.

**VI. Chairman**

The Committee shall include a Committee chairman. The Committee chairman shall be appointed by a majority vote of the Board. The Committee chairman shall be entitled to chair all regular sessions of the Committee, add topics to the agenda, and cast a vote to resolve any ties.

**VII. Meetings**

The Committee shall meet as often as necessary to carry out its responsibilities, but at least twice yearly. The Committee chairman may call a Committee meeting upon due notice of each other Committee member at least forty-eight (48) hours prior to the meeting, unless such notice is waived by any Committee member not receiving such notice. Any Committee member may request the Committee chairman to call a meeting. A majority of Committee members, acting in person or by proxy, shall constitute a quorum. The Committee shall be responsible for maintaining minutes and other applicable records of each Committee meeting. The Committee shall report its actions and recommendations to the Board after each Committee meeting.

The Committee may invite to, or exclude from, its meetings any individual it deems appropriate in order to carry out its responsibilities.

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**APPENDIX C**

**Safety Insurance Group, Inc.  
NOMINATING AND GOVERNANCE COMMITTEE CHARTER**

As approved by the Nominating and Governance Committee on March 8, 2005 and the Board on March 10, 2005

This Charter (this "Charter") of the Nominating and Governance Committee (the "Committee") has been adopted by the Board of Directors (the "Board") of Safety Insurance Group, Inc. (the "Company").

**I. General Statement of Purpose**

The Committee shall assist the Board in identifying individuals qualified to become Board members, recommend director-nominees to the Board for annual shareholders' meetings, take a leadership role in shaping the Company's corporate governance and oversee the evaluation of the Board, management and the Board committees.

**II. Responsibilities and Authority**

In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

1. To lead the search for individuals qualified to become Board members to the extent necessary to fill vacancies on the Board or as otherwise desired by the Board.
2. To develop and recommend to the Board for its approval a policy regarding director nominees recommended by shareholders, including the procedures to be followed by shareholders in submitting such recommendations. The Committee shall assess the adequacy of such policy on an annual basis, or more frequently as circumstances dictate, and recommend changes to the Board.
3. To develop a process for identifying and evaluating director nominees. The Committee shall assess the adequacy of such process on an annual basis, or more frequently as circumstances dictate, and implement any changes to such policy as determined by a majority vote of the Committee.
4. To conduct all necessary and appropriate inquiries into the background and qualifications of each possible director nominee.
5. To make an annual report to the Board on emergency as well as expected CEO succession planning. The full Board will work with the Committee to recommend and evaluate potential successors to the CEO.
6. To develop a process for shareholders of the Company to send communications to the Board. The Committee shall assess the adequacy of such process on an annual basis, or more frequently as circumstances dictate, and implement any changes to such policy as determined by a majority vote of the Committee.
7. To develop and recommend to the Board for its approval a policy regarding Board members' attendance at annual meetings. The Committee shall assess the adequacy of such policy on an annual basis, or more frequently as circumstances dictate, and recommend changes to the Board.
8. To review written communications from shareholders concerning the Company's annual general meeting and governance process and make recommendations to the Board as necessary.



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9. To annually review and reassess the adequacy of the Company's Code of Business Conduct and recommend changes to the Board as necessary.
10. To review requests from directors and executive officers of the Company for waivers from the Company's Code of Business Conduct, to make recommendations to the Board concerning such requests, and to review any required disclosures relating to such waivers.
11. To review and approve all related-party transactions, as such term is defined in the NASDAQ Marketplace Rules.
12. To delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion.
13. To exercise such additional powers as may be reasonably necessary, in the Committee's discretion, to fulfill its responsibilities hereunder.

**III. Outside Advisors**

The Committee, acting by majority vote, shall have sole authority to retain and terminate any search firm employed to identify director nominees, including sole authority to approve the search firm's fees and any other retention terms. The Committee, acting by majority vote, shall also have sole authority to obtain advice and assistance from internal or external legal, accounting, or other advisors to assist the Committee in fulfilling its responsibilities hereunder.

**IV. Annual Evaluation**

The Committee shall review this Charter annually and recommend to the Board any improvements to this Charter it deems necessary.

**V. Membership**

The Committee shall consist of no fewer than two (2) directors, as determined by the Board. Each Committee member shall meet the independence requirements of the Marketplace Rules promulgated by the National Association of Securities Dealers, Inc., as determined by the Board, and any other requirements set forth in applicable laws, rules and regulations. The Committee members shall be appointed annually, and may be removed, with or without cause, by a majority vote of the Board.

**VI. Chairman**

The Committee shall include a Committee chairman. The Committee chairman shall be appointed by a majority vote of the Board. The Committee chairman shall be entitled to chair all regular sessions of the Committee, add topics to the agenda, and cast a vote to resolve any ties.

**VII. Meetings**

The Committee shall meet as often as necessary to carry out its responsibilities, but at least twice yearly. The Committee chairman may call a Committee meeting upon due notice of each other Committee member at least forty-eight (48) hours prior to the meeting, unless such notice is waived by any Committee member not receiving such notice. Any Committee member may request the Committee chairman to call a meeting. A majority of Committee members, acting in person or by proxy, shall constitute a quorum. The Committee shall be responsible for maintaining minutes and other applicable records of each Committee meeting. The Committee shall report its actions and recommendations to the Board after each Committee meeting.

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**Proxy SAFETY INSURANCE GROUP, INC.**

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**20 CUSTOM HOUSE STREET  
BOSTON, MASSACHUSETTS 02110  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned shareholder of Safety Insurance Group, Inc. hereby appoints David F. Brussard and William J. Begley, Jr. (each with power to act without the other and with power of substitution) as proxies to represent the undersigned at the 2012 Annual Meeting of the common shareholders of Safety Insurance Group, Inc. to be held at 10:00 a.m. on Wednesday, May 23, 2012 and at any postponement or adjournment thereof, with all the power the undersigned would possess if personally present, and to vote all shares of common stock which the undersigned may be entitled to vote at said meeting, hereby revoking any proxy heretofore given.


**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS SPECIFIED ON THE REVERSE SIDE. IF NO SPECIFICATION IS MADE, IT IS THE INTENTION OF THE PROXIES TO VOTE FOR THE NOMINEES FOR DIRECTOR LISTED ON THE REVERSE SIDE AND AT THE DISCRETION OF THE PROXIES ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF.**

**In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.**

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

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Using a **black ink** pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. 

## Annual Meeting Proxy Card

### A. Election of Directors

The Board of Directors recommends a vote FOR the nominees listed:

1. ELECTION OF TWO CLASS I DIRECTORS TO SERVE A THREE YEAR TERM EXPIRING IN 2015.

	<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>
01 Peter J. Manning	○	○	02 David K. McKown	○	○

### B. Other Proposals

The Board of Directors recommends a vote FOR Proposals 2, and 3.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP.	○	○	○

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
3. ADVISORY VOTE ON EXECUTIVE COMPENSATION.	○	○	○

### D. Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please date and sign exactly as your name or names appear herein. Corporate or partnership proxies should be signed in full corporate or partnership name by an authorized person. Persons signing in a fiduciary capacity should indicate their full title in such capacity.

<b>Date (mm/dd/yyyy) Please print date below.</b>	<b>Signature 1 Please keep signature within the box.</b>	<b>Signature 2 Please keep signature within the box.</b>
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