AMERICAN SAFETY INSURANCE HOLDINGS LTD
Form S-1/A
June 05, 2006

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As filed with the Securities and Exchange Commission on June 5, 2006.
Subject to Amendment.

Registration No. 333-133557

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
PRE-EFFECTIVE AMENDMENT NO. 1 TO
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
American Safety Insurance Holdings, Ltd.
(Exact name of each registrant as specified in its charter)

Bermuda	**6411**	**Not applicable**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

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With Copies to:

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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion, dated June 5, 2006

PROSPECTUS

4,953,087 Shares
AMERICAN SAFETY INSURANCE HOLDINGS, LTD.
Common Shares

American Safety Insurance Holdings, Ltd. is offering 4,013,761 Common Shares, $.01 par value, and the selling shareholders are offering 939,326 Common Shares. We will not receive any proceeds from the sale of the Common Shares by the selling shareholders.

The Common Shares are quoted on the New York Stock Exchange under the symbol ASI. On June 2, 2006, the last reported sale price of the Common Shares was $16.39 per share.

You should carefully review the Risk Factors section beginning on page 10 in connection with this offering and an investment in the Common Shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to American Safety Insurance(2)	Proceeds to Selling Shareholders
Per Share	$	$	$	$
Total(3)	$	$	$	$

(1) American Safety Insurance and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See Underwriting.

(2) Before deducting expenses of this offering payable by us estimated at $600,000.

(3) This is a firm commitment underwriting. The selling shareholders have granted the underwriters the right to purchase up to an additional 742,963 Common Shares to cover over-allotments. The underwriters expect to deliver the shares to purchasers on or about . For further discussion, see Underwriting.

Keefe, Bruyette & Woods

Raymond James

BB&T Capital Markets
a division of Scott & Stringfellow, Inc.

The date of this prospectus is , 2006

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PROSPECTUS SUMMARY

This summary highlights information from this prospectus that we believe is the most important regarding this offering. It may not contain all of the information that is important to you. You should read the entire prospectus carefully before investing in the Common Shares.

The terms we, our, us, Company and American Safety Insurance refer to American Safety Insurance Holdings Ltd. and, unless the context requires otherwise, include our subsidiaries.

Who We Are

We are a specialty insurance company that provides customized insurance products and solutions to small and medium-sized businesses in industries that we believe are underserved by the standard insurance market. For twenty years, we have developed specialized insurance coverages and alternative risk transfer products not generally available to our customers in the standard insurance market because of the unique characteristics of the risks involved and the associated needs of the insureds. We specialize in underwriting these products for insureds with environmental risks and construction risks as well as in developing programs for other specialty classes of risks.

We were formed in 1986 as an insurance company in Bermuda and began our operations providing insurance solutions to environmental remediation businesses in the U.S. at a time when insurance coverage for these risks was virtually unavailable. Since then, we have continued to identify opportunities in other industry sectors underserved by standard insurance carriers where we believe we can achieve strong and consistent returns on equity. We capitalize on these opportunities by (i) leveraging our strong relationships with agents and brokers, which we refer to as producers, among whom we believe we have a recognized commitment to the specialty insurance market, (ii) charging a higher premium for the risks we underwrite and the services we offer due to the limited availability of insurance coverages for these risks and (iii) mitigating our loss exposure through customized policy terms, specialized underwriting and proactive loss control and claims management.

For the year ended December 31, 2005, our net earnings from insurance operations were $13.6 million, a 219.5% increase over 2004. For the same period, our net earnings were $14.7 million, or $2.05 per diluted share, compared to $14.8 million, or $2.01 per diluted share, for 2004. For the year ended December 31, 2005, our gross premiums written were $237.9 million, a 7.4% increase over 2004. At December 31, 2005, we had total assets of $697.1 million and shareholders equity of $118.4 million, or $17.54 per share.

For the three months ended March 31, 2006, our net earnings were $4.1 million, or $0.57 per diluted share, compared to $3.6 million, or $0.50 per diluted share, for the same period of 2005. For the three months ended March 31, 2006, our gross premiums written were $53.2 million, a 17.2% decrease over the same period of 2005. At March 31, 2006, we had total assets of $709.6 million and shareholders equity of $119.7 million, or $17.66 per share.

Our Products

Our core product segments include excess and surplus lines (E&S) and alternative risk transfer (ART).

Excess and Surplus Lines. Excess and surplus lines insurers provide coverage for difficult to place risks that do not fit the underwriting criteria of insurance companies operating in the standard insurance market. We focus our excess and surplus lines segment on small to medium-sized businesses in industries such as environmental and construction because we believe that, due to the complex risk profile of those businesses and their smaller account sizes, there is less competition to underwrite these risks. We provide the following excess and surplus lines products:

Environmental. We underwrite various types of environmental risks, including contractors pollution liability, environmental consultants professional liability and environmental impairment liability. We do not provide coverage for manufacturers or installers of products containing asbestos that have been the subject of class action lawsuits, but instead insure the contractors who remediate asbestos.

Construction. We underwrite various types of residential and commercial construction risks. Our construction insurance coverages consist mostly of primary general and excess general liability coverages for insureds primarily located in the western U.S. Also included in our construction business line are other insurance coverages for underserved markets, including general liability for building owners and equipment dealers and products liability for product manufacturers and distributors.

Surety. We are listed as an acceptable surety on federal bonds, commonly known as a Treasury-listed or T listed surety, primarily providing contract performance and payment bonds to environmental contractors and general construction contractors in 47 states and the District of Columbia.

Alternative Risk Transfer. In the alternative risk transfer market, companies provide insurance and risk management products for insureds who want more control over the claims administration process and who pay very high insurance premiums or are unable to find adequate insurance coverage. We provide the following alternative risk transfer products:

Specialty Programs. Working with third party program managers, reinsurance intermediaries and reinsurers, we target small and medium-sized businesses with homogenous groups of specialty risks where the principal insurance requirements are general, professional or pollution liability. We outsource the underwriting and administration duties for these programs to program managers with established underwriting expertise in the specialty program area. Our specialty programs consist primarily of casualty insurance coverages for construction contractors, pest control operators, small auto dealers, real estate brokers, apartment owners, restaurant owners, tavern owners, bail bondsmen and Hawaii taxicab operators.

Fully-Funded. Fully-funded policies allow us to meet the needs of insureds that, due to the nature of their businesses, pay very high insurance premiums or are unable to find adequate insurance coverage. Typically, our insureds are required to maintain insurance coverage to operate their businesses and the fully-funded product allows these insureds to provide evidence of insurance, yet at the same time maintain more control over insurance costs and handling of claims. We do not assume underwriting risk on these polices, but instead earn fees for providing the policies, which are recorded as premiums. We write fully-funded general and professional liability policies for businesses operating primarily in the healthcare and construction industries.

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The following table sets forth our of gross premiums written (in thousands) by business line and the allocation of those premiums for the years ended December 31, 2003, 2004 and 2005 and the three months ended March 31, 2005 and 2006:

	Gross Premiums Written					Percentage of Total Gross Premiums Written				
	Year Ended December 31,			Three Months Ended March 31,		Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006	2003	2004	2005	2005	2006
E&S										
Environmental	$ 34,603	$ 44,157	$ 51,014	$ 13,594	$ 12,641	16.3%	19.9%	21.4%	21.2%	23.8%
Construction	85,793	96,905	95,406	27,053	23,064	40.3	43.7	40.1	42.1	43.4
Surety	737	1,725	2,581	497	870	0.3	0.8	1.1	0.8	1.6
Total	121,133	142,787	149,001	41,144	36,575	56.9	64.4	62.6	64.1	68.8
ART										
Specialty Programs	73,152	76,264	85,138	22,743	16,345	34.4	34.4	35.8	35.4	30.7
Fully-Funded	538	1,281	3,822	317	263	0.3	0.6	1.6	0.5	0.5
Total	73,690	77,545	88,960	23,060	16,608	34.7	35.0	37.4	35.9	31.2
Runoff	17,844	1,243	(81) (1)	7		8.4	0.6			
Total	$ 212,667	$ 221,575	$ 237,880	$ 64,211	$ 53,183	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Represents premiums returned to insureds by us.

The following table sets forth our net premiums written (in thousands) by business line and the allocation of those premiums for the years ended December 31, 2003, 2004 and 2005 and the three months ended March 31, 2005 and 2006:

	Net Premiums Written					Percentage of Total Net Premiums Written				
	Year Ended December 31,			Three Months Ended March 31,		Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006	2003	2004	2005	2005	2006
E&S										
Environmental	$ 27,233	$ 35,024	$ 41,477	$ 10,967	$ 8,071	20.7%	26.5%	29.5%	29.8%	24.0%

Construction	73,572	77,894	78,026	22,185	20,353	55.9	59.0	55.5	60.3	60.6
Surety	734	1,174	1,345	250	440	0.6	0.9	1.0	0.7	1.3
Total	101,539	114,092	120,848	33,402	28,864	77.2	86.4	86.0	90.8	85.9
ART										
Specialty Programs	15,152	17,273	19,712	3,270	4,526	11.5	13.1	14.0	8.9	13.5
Fully-Funded		257	2,037	133	188		0.2	1.4	0.3	0.6
Total	15,152	17,530	21,749	3,403	4,714	11.5	13.3	15.5	9.2	14.1
Runoff	14,787	299	(2,045) [1]	(35) [1]		11.3	0.3	(1.5)		
Total	$ 131,478	$ 131,921	$ 140,552	$ 36,770	$ 33,578	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Represents premiums returned to insureds by us.

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Our Competitive Strengths

We believe that certain aspects of our business model support our competitive position in the specialty insurance market, including:

Focus on underserved insurance markets. We focus on providing insurance products and solutions to niche, underserved markets which exhibit less competition than the standard insurance market and where we have specialized expertise. The coverages we provide are typically nondiscretionary for the insurance buyer, where the purchase of the insurance coverage is required for the continued operation of the insured s business. We believe that we have developed an effective approach to identifying voids in the insurance market where we have more flexibility over the premiums we can charge and the terms and conditions we can offer for our policies.

Versatile organizational structure. Unlike many of our specialty market competitors, our structure includes both Bermuda-domiciled reinsurance and captive companies and U.S.-domiciled admitted and non-admitted insurance companies and a non-affiliated risk retention group. This structure gives us the flexibility to utilize our U.S.-domiciled insurance companies to write admitted and non-admitted policies, our Bermuda reinsurance companies to act as a reinsurer of those policies, our Bermuda captive to serve as a risk sharing vehicle for program managers and insureds and our risk retention group to write policies without having to qualify to do so in each state. Our organizational structure allows us to effectively respond to market trends and to meet the needs of our producers and insureds.

Commitment to underwriting discipline. Our assessment of our ability to produce an underwriting profit is a driving factor in deciding whether or not to expand our business or, conversely, to contract our capacity in the markets we serve. Our loss ratio, as compared to the property and casualty industry average, is a testament to our underwriting discipline. According to Best s Aggregates and Averages for Property and Casualty Insurers published by A.M. Best Company (A.M. Best), from 1998 through 2004 the average net loss ratio for the property and casualty industry was 79.2%, while our average net loss ratio over the same time period was 58.2%.

Proactive claims management and loss control practices. We emphasize a fair but firm claims handling philosophy. Our adjusters promptly and thoroughly investigate claims and strictly adhere to the terms and conditions of our policies. We also employ loss control practices designed to monitor and improve our insureds safety and quality control procedures. Claims management and loss control play an important part in our underwriting process by enhancing our underwriters awareness of emerging issues.

Valuable distribution relationships. We utilize the services of producers to attract new business and to retain existing clients. During our twenty-year history, we have developed strong relationships with producers who we believe consider us to be a preferred source for insurance solutions for unique or difficult to place risks. We currently market our products through over 230 producers in all 50 states and the District of Columbia.

Strong financial strength rating. We are rated A (Excellent), with a negative outlook, and have been assigned a financial size category of VIII by A.M. Best. We believe our rating from A.M. Best is important to our producers and insureds because it instills confidence in our capital strength and ability to pay claims. A.M. Best assigned a negative outlook to the rating in September 2004 in response to our reserve strengthening in the second quarter of 2004 because of a concern by A.M. Best with the underwriting results from our core business lines and the potential for further reserve strengthening in the future. A.M. Best reaffirmed this rating and outlook in November 2005. A.M. Best s rating and outlook should not be considered as an investment recommendation. For additional information on our A.M. Best rating, see Risk Factors and Business Rating.

Our Strategy

We intend to support the managed growth of our business and enhance shareholder value as follows:

Increase our retention of the business we currently write. In the past, we have relied heavily on reinsurance due to capital and rating agency considerations. In July 2005, however, we ceased purchasing reinsurance on the primary general liability portion of our construction business line. We made this decision after performing a loss cost and dynamic financial analysis and concluding that our reinsurance purchases were uneconomical. We believe retaining this exposure will enhance our financial results and returns on capital. We also plan to reduce our dependence on reinsurance and increase our retention of the business that we write in other areas such as specialty programs, environmental and surety.

Grow opportunistically our core business lines. We plan to grow opportunistically our business in markets where we have specialized expertise to control risk and maximize underwriting profits, both by expanding premium writings in existing products and by expanding in geographic areas where we have less market presence.

In our environmental business line, approximately 4.0% of our gross premiums written were generated from our environmental impairment liability product for the three months ended March 31, 2006. We plan to expand writings in this product and have recently added underwriting expertise necessary to support this growth. We also intend to contribute to the expansion of the environmental business line by increasing our web-based distribution capabilities.

In our construction business line, 93.0% of our gross premiums written were generated from policies written in the western U.S., primarily California, for the three months ended March 31, 2006. We plan to expand geographically in response to decreasing availability of general liability insurance for residential contractors in other areas of the U.S.

In our alternative risk transfer segment, we plan to expand writings of our fully-funded product by increasing our distribution sources. A significant portion of our fully-funded fees are generated through five producers. We also plan to expand our specialty program business line by adding new programs as well as increasing our capacity in existing programs. For example, in January 2006 we implemented a new program providing general liability coverage for owners of senior habitational facilities.

Grow into new product lines. In the past, we have identified profitable opportunities in underserved sectors of the insurance industry to expand our business lines and products. We plan opportunistically to develop new insurance products outside our core business lines for customers in underserved markets. As an example, in 2004 we introduced our fully-funded business line, which reflected our ability to expand our product offerings to meet the specific insurance needs of our customers.

Pursue potential acquisitions on a selective basis. We continually pursue opportunities to acquire managing general agents, program managers, specialty books of business and experienced underwriting teams with a demonstrated history of profitable underwriting in specialty business lines. The acquisition of managing general agents and program managers would present an opportunity to grow our specialty program business, and the acquisition of specialty books of business and experienced underwriting teams would provide an opportunity to expand our product offerings. Historically, acquisitions have not played a large role in our business, but we expect them to be an important part of our strategy in the future.

Leverage our investments in information technology and enhance operational efficiencies. We have worked extensively to increase the efficiency and decrease the cost of processing the business we produce. We believe our technology is scalable and can be modified at minimal cost to accommodate our growth. We expect that our investments in information technology and improved operational efficiency will contribute to a lower expense ratio as we achieve premium growth over

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time. For more information on the investments we have made in information technology, see Business Technology.

Actively manage our capital. The level of capital that we maintain, and how we deploy that capital, is an important factor in maintaining our A (Excellent) financial strength rating from A.M. Best. In evaluating our strategic initiatives, we actively consider the associated impact that these initiatives may have on our capital requirements. We believe our rating from A.M. Best is a competitive advantage to us and maintaining it will be a principal consideration in our decisions regarding growth and capital management.

Our Challenges

As part of the evaluation of our business, you should consider the challenges we face in implementing our business strategy, including but not limited to the following:

A downgrade in our A.M. Best rating or increased capital requirements could impair our ability to sell insurance policies.

The risks we underwrite are concentrated in relatively few industries.

Our actual incurred losses may be greater than our reserves for losses and loss adjustment expenses.

We may be unable to recover amounts due from our reinsurers.

We are subject to risks related to litigation.

Policy pricing in our industry is cyclical, and our financial results are impacted by that cyclicality.

Our industry is subject to significant and increasing regulatory scrutiny.

For further discussion of these and other risks we face, see Risk Factors.

Our Offices

Our office is located at 44 Church Street, Hamilton, Bermuda, and the telephone number is (441) 296-8560. The corporate offices of our U.S. subsidiaries are located at 1845 The Exchange, Atlanta, Georgia 30339, and the telephone number is (770) 916-1908.