

AMERICAN SAFETY INSURANCE HOLDINGS LTD

Form 10-Q

August 09, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-14795

**AMERICAN SAFETY INSURANCE HOLDINGS, LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**  
(State of incorporation

or organization)

**31 Queen Street 2<sup>nd</sup> Floor**

**Hamilton, Bermuda**  
(Address of principal executive offices)

**Registrant's telephone number: (441) 296-8560**

**30-0666089**  
(I.R.S. Employer

Identification No.)

**HM 11**  
(Zip Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate number of shares outstanding of Registrant's common stock, \$0.01 par value, on August 1, 2012, was 10,252,617

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American Safety Insurance Holdings, Ltd. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands except share data)

	June 30, 2012 (unaudited)	December 31, 2011
<b>Assets</b>		
Investments available-for-sale:		
Fixed maturity securities, at fair value (including \$4,493 and \$4,623 from VIE)	\$ 796,348	\$ 815,999
Common stock, at fair value	6,706	6,751
Preferred stock, at fair value	3,106	2,932
Short-term investments, at fair value (including \$2,516 and \$3,723 from VIE)	97,531	57,417
Trading securities, at fair value	4,935	
Total investments	908,626	883,099
Cash and cash equivalents (including \$1,302 and \$2,268 from VIE)	35,195	43,481
Accrued investment income (including \$44 and \$45 from VIE)	6,430	6,598
Premiums receivable (including \$826 and \$629 from VIE)	39,243	33,458
Ceded unearned premium (including \$442 and \$166 from VIE)	26,386	22,710
Reinsurance recoverable (including \$1,256 and \$3,055 from VIE)	178,066	173,982
Deferred income taxes		1,877
Deferred acquisition costs (including \$1,372 and \$(454) from VIE)	25,811	24,421
Property, plant and equipment, net	12,613	13,110
Goodwill	9,317	9,317
Other assets (including \$6,286 and \$1,042 from VIE)	86,370	74,479
Total assets	\$ 1,328,057	\$ 1,286,532
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Unpaid losses and loss adjustment expenses (including \$5,491 and \$7,412 from VIE)	\$ 698,465	\$ 680,201
Unearned premiums (including \$5,430 and \$623 from VIE)	146,127	135,059
Ceded premiums payable (including \$901 and \$296 from VIE)	14,116	11,425
Funds held (including \$122 and \$174 from VIE)	64,088	71,955
Other liabilities (including \$0 and \$0 from VIE)	12,233	14,029
Deferred income taxes (including \$(36) and \$0 from VIE)	3,471	
Loans payable	39,183	39,183
Total liabilities	\$ 977,683	\$ 951,852
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value; authorized 5,000,000 shares; no shares issued and outstanding	\$	\$
Common stock, \$0.01 par value; authorized 30,000,000 shares; issued and outstanding at June 30, 2012, 10,252,617 shares and at December 31, 2011, 10,209,419 shares	102	102
Additional paid-in capital	99,310	98,394

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Retained earnings	191,412	185,176
Accumulated other comprehensive income, net	52,921	44,416
Total American Safety Insurance Holdings, Ltd. shareholders' equity	343,745	328,088
Equity in non-controlling interests	6,629	6,592
Total equity	350,374	334,680
Total liabilities and equity	\$ 1,328,057	\$ 1,286,532

See accompanying notes to consolidated interim financial statements (unaudited).

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## American Safety Insurance Holdings, Ltd. and Subsidiaries

## Consolidated Statements of Operations

(Unaudited)

(dollars in thousands except per share data)

	Three Months Ended		Six Months Ended	
	2012	June 30, 2011	2012	June 30, 2011
<b>Revenues:</b>				
Direct earned premiums	\$ 60,595	\$ 60,801	\$ 121,123	\$ 118,456
Assumed earned premiums	15,259	13,851	29,124	25,135
Ceded earned premiums	(13,837)	(15,502)	(26,818)	(30,073)
Net earned premiums	62,017	59,150	123,429	113,518
Net investment income	7,402	8,050	15,214	15,486
Realized gains (losses)	(13)	194	39	11,302
Fee income	717	786	1,385	1,651
Other income	12	12	25	23
Total revenues	\$ 70,135	\$ 68,192	\$ 140,092	\$ 141,980
<b>Expenses:</b>				
Losses and loss adjustment expenses	40,819	39,869	78,100	82,129
Acquisition expenses	14,337	13,239	29,081	24,994
Other underwriting expenses	12,013	10,171	22,764	20,370
Interest expense	367	354	785	740
Corporate and other expenses	848	1,026	2,104	1,852
Total expenses	\$ 68,384	\$ 64,659	\$ 132,834	\$ 130,085
Earnings before income taxes	1,751	3,533	7,258	11,895
Income tax (benefit) expense	(234)	(549)	872	(581)
Net earnings	\$ 1,985	\$ 4,082	\$ 6,386	\$ 12,476
Less: Net earnings (loss) attributable to the non-controlling interest	(182)	30	163	523
Net earnings attributable to American Safety Insurance Holdings, Ltd.	\$ 2,167	\$ 4,052	\$ 6,223	\$ 11,953
<b>Net earnings per share:</b>				
Basic	\$ 0.21	\$ 0.39	\$ 0.61	\$ 1.15
Diluted	\$ 0.21	\$ 0.38	\$ 0.59	\$ 1.11
<b>Weighted average number of shares outstanding:</b>				
Basic	10,256,634	10,429,188	10,238,667	10,436,848
Diluted	10,555,222	10,764,542	10,544,627	10,776,398

See accompanying notes to consolidated interim financial statements (unaudited).

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American Safety Insurance Holdings, Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Earnings

(Unaudited)

(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net earnings	\$ 1,985	\$ 4,082	\$ 6,386	\$ 12,476
Other comprehensive income before income taxes:				
Unrealized gains on securities available-for-sale	6,608	8,004	10,050	6,076
Amortization of gain on hedging transactions	(41)	(39)	(41)	(39)
Reclassification adjustment for realized (gains) losses included in net earnings	13	(194)	(39)	(11,302)

Total other comprehensive income (loss) before income taxes