

AMERICAN SAFETY INSURANCE HOLDINGS LTD

Form 10-Q

May 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 March 31, 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)

<b>Bermuda</b> (State of incorporation or organization)	<b>30-0666089</b> (I.R.S. Employer Identification No.)
<b>31 Queen Street</b> <b>2<sup>nd</sup> Floor</b>	
<b>Hamilton, Bermuda</b> (Address of principal executive offices)	<b>HM 11</b> (Zip Code)
<b>Registrant's telephone number: (441) 296-8560</b>	

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 May 1, 2012, was 10,256,555.

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American Safety Insurance Holdings, Ltd. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands except share data)

	March 31, 2012 (Unaudited)	December 31, 2011
<b>Assets</b>		
Investments available-for-sale:		
Fixed maturity securities, at fair value (including \$4,531 and \$4,623 from VIE)	\$ 787,768	\$ 815,999
Common stock, at fair value	6,751	6,751
Preferred stock, at fair value	3,041	2,932
Short-term investments, at fair value (including \$3,892 and \$3,723 from VIE)	99,644	57,417
<b>Total investments</b>	<b>897,204</b>	<b>883,099</b>
Cash and cash equivalents (including \$974 and \$2,268 from VIE)	45,518	43,481
Accrued investment income (including \$36 and \$45 from VIE)	6,392	6,598
Premiums receivable (including \$1,040 and \$629 from VIE)	34,279	33,458
Ceded unearned premium (including \$421 and \$166 from VIE)	22,643	22,710
Reinsurance recoverable (including \$2,404 and \$3,055 from VIE)	171,367	173,982
Deferred income taxes		1,877
Deferred policy acquisition costs (including \$1,282 and \$(454) from VIE)	23,947	24,421
Property, plant and equipment, net	12,797	13,110
Goodwill	9,317	9,317
Other assets (including \$9,766 and \$1,042 from VIE)	75,509	74,479
<b>Total assets</b>	<b>\$ 1,298,973</b>	<b>\$ 1,286,532</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Unpaid losses and loss adjustment expenses (including \$12,041 and \$7,412 from VIE)	\$ 685,690	\$ 680,201
Unearned premiums (including \$5,109 and \$623 from VIE)	134,432	135,059
Ceded premiums payable (including \$649 and \$296 from VIE)	8,966	11,425
Funds held (including \$143 and \$174 from VIE)	74,120	71,955
Other liabilities (including \$0 and \$0 from VIE)	12,393	14,029
Deferred income taxes (including \$374 and \$0 from VIE)	1,770	
Loans payable	39,183	39,183
<b>Total liabilities</b>	<b>\$ 956,554</b>	<b>\$ 951,852</b>
<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 March 31, 2012, 10,255,649 shares and at December 31, 2011, 10,209,419 shares	103	102
Additional paid-in capital	98,656	98,394
Retained earnings	189,231	185,176

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Accumulated other comprehensive income, net	47,651	44,416
Total American Safety Insurance Holdings, Ltd. shareholders' equity	335,641	328,088
Equity in non-controlling interests	6,778	6,592
Total equity	342,419	334,680
Total liabilities and equity	\$ 1,298,973	\$ 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 March 31,	
	2012	2011
<b>Revenues:</b>		
Direct earned premiums	\$ 60,528	\$ 57,656
Assumed earned premiums	13,865	11,283
Ceded earned premiums	(12,980)	(14,571)
Net earned premiums	61,413	54,368
Net investment income	7,811	7,437
Realized gains	53	11,107
Fee income	668	865
Other income	12	11
Total revenues	\$ 69,957	\$ 73,788
<b>Expenses:</b>		
Losses and loss adjustment expenses	37,281	42,260
Acquisition expenses	14,744	11,755
Other underwriting expenses	10,752	10,199
Interest expense	417	386
Corporate and other expenses	1,256	826
Total expenses	\$ 64,450	\$ 65,426
Earnings before income taxes	5,507	8,362
Income tax expense (benefit) (including \$175 and \$0 from VIE)	1,106	(32)
Net earnings	\$ 4,401	\$ 8,394
Less: Net earnings attributable to the non-controlling interest	345	493
Net earnings attributable to American Safety Insurance Holdings, Ltd.	\$ 4,056	\$ 7,901
<b>Net earnings per share:</b>		
Basic	\$ 0.40	\$ 0.76
Diluted	\$ 0.39	\$ 0.73
<b>Weighted average number of shares outstanding:</b>		
Basic	10,220,700	10,444,325
Diluted	10,533,732	10,788,117

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 (Loss)

(Unaudited)

(dollars in thousands)

	Three Months Ended March 31,	
	2012	2011
Net earnings	\$ 4,401	\$ 8,394
Other comprehensive income before income taxes:		
Unrealized gains (losses) on securities available-for-sale	3,442	(1,929)
Reclassification adjustment for realized gains included in net earnings	(53)	(11,107)
Total other comprehensive income (loss) before income taxes	3,389	(13,036)
Income tax expense (benefit) related to items of other comprehensive income	313	(437)
Other comprehensive income (loss) net of income taxes	3,076	(12,599)
Comprehensive income (loss)	\$ 7,477	\$ (4,205)
Less: Comprehensive income attributable to the non-controlling interest	186	462
Comprehensive income (loss) attributable to American Safety Insurance Holdings, Ltd.	\$ 7,291	\$ (4,667)

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



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## American Safety Insurance Holdings, Ltd. and Subsidiaries

## Consolidated Statements of Cash Flow

(Unaudited) (dollars in thousands)

	Three Months Ended March 31,	
	2012	2011
Cash flow from operating activities:		
Net earnings	\$ 4,401	\$ 8,394
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Realized gains on investments	(53)	(11,107)
Depreciation expense	734	624
Stock based compensation expense	604	608
Amortization of deferred acquisition costs, net	474	(952)
Amortization of investment premium	826	969
Deferred income taxes	3,500	(345)
Change in operating assets and liabilities:		
Accrued investment income	206	906
Premiums receivable	(821)	1,956
Reinsurance recoverable	2,615	1,654
Ceded unearned premiums	67	236
Funds held	2,165	(1,446)
Unpaid losses and loss adjustment expenses	5,489	18,084
Unearned premiums	(627)	5,419
Ceded premiums payable	(2,459)	2,833
Other liabilities	(1,636)	(3,425)
Other assets, net	(1,148)	2,073
Net cash provided by operating activities	14,337	26,481
Cash flow from investing activities:		
Purchase of fixed maturities	(975)	(146,021)
Purchase of equity securities		(2,500)
Proceeds from sales and maturities of fixed maturities	31,566	111,202
Proceeds from sales of equity securities		