

Murphy USA Inc.
Form 4
September 04, 2013

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Goodwin Jeffery A

(Last) (First) (Middle)

200 PEACH STREET

(Street)

EL DORADO, AR 71730

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol

Murphy USA Inc. [MUSA]

3. Date of Earliest Transaction
(Month/Day/Year)

08/30/2013

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
____X____ Officer (give title ____ Other (specify
below) below)

Senior Vice President

6. Individual or Joint/Group Filing(Check
Applicable Line)
____X____ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	08/30/2013		J	857 <u>(1)</u> A <u>(2)</u>	857	I	Trustee of Company Thrift Plan
Common Stock	08/30/2013		J	1,352 A <u>(2)</u>	1,352	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repor Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
Goodwin Jeffery A 200 PEACH STREET EL DORADO, AR 71730	Senior Vice President

Signatures

/s/ John A. Moore,
attorney-in-fact

09/04/2013

__Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Est. shares received as of August 30, 2013.

On August 30, 2013, Murphy Oil Corporation (MUR) distributed to its stockholders one share of the Issuer's common stock for every 4 shares of MUR common stock outstanding as of 4:00 p.m. EST on August 21, 2013, the record date for the distribution. The reported shares were issued in respect of shares of MUR common stock held by the reporting person as of such record date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. New Roman" SIZE="2"> \$62,969

Losses and loss adjustment expenses

\$2,122 \$10,630 \$6,359 \$24,875 \$43,986

Acquisition expenses

\$(977) \$4,457 \$(1,039) \$7,990 \$10,431

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Underwriting profit/(loss)

\$4,121 \$5,753 \$2,884 \$(4,206) \$8,552

Income tax/(benefit)

\$829 \$ 487 \$(155) \$1,161

Net earnings/(loss)

\$1,611 \$ 1,997 \$546 \$4,154

Assets

\$46,925 \$250,280 \$57 \$297,262

Equity

\$10,938 \$ 49,245 \$(203) \$59,980

December 31,
2002

Insurance

Real Estate

Environmental

E&S

Programs

Other

Other

Total

Net premiums earned

\$9,971 \$34,269 \$11,614 \$10,095 \$65,949

Losses and loss adjustment expenses

\$3,776 \$17,925 \$6,686 \$9,887 \$38,274

Acquisition expenses

\$2,485 \$7,952 \$(130) \$2,237 \$12,544

Underwriting profit/(loss)

\$3,710 \$8,392 \$5,058 \$(2,029) \$15,131

Explanation of Responses:

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Income tax/(benefit)

\$1,356 \$ 91 \$(346) \$919

Net earnings/(loss)

\$1,900 \$ 3,618 \$(3,034) \$2,484

Assets

\$54,820 \$310,535 \$52 \$365,407

Equity

\$13,306 \$ 49,400 \$(254) \$62,452

Additionally American Safety Insurance conducts business in the following insurance geographic segments: United States and Bermuda. Significant differences exist in the regulatory environment in each country. Those differences include laws regarding the types of investments, capital requirements, solvency monitoring, pricing, corporate taxation, etc. The following provides key measurable information about the insurance geographic segments for the years ended December 31, 2000, December 31, 2001 and December 31, 2002 (in thousands):

<u>December 31, 2000</u>	<u>United States</u>	<u>Bermuda</u>	<u>Total</u>
Income tax	\$ (1,157)	\$	\$ (1,157)
Net earnings	(1,860)	497	(1,363)
Assets	173,392	33,906	207,298
Equity	37,659	20,144	57,803
 <u>December 31, 2001</u>	 <u>United States</u>	 <u>Bermuda</u>	 <u>Total</u>
Income tax	\$ 1,161	\$	\$ 1,161
Net earnings	2,346	1,808	4,154
Assets	263,354	33,908	297,262
Equity	40,300	19,680	59,980
 <u>December 31, 2002</u>	 <u>United States</u>	 <u>Bermuda</u>	 <u>Total</u>
Income tax	\$ 919	\$	\$ 919
Net earnings	1,528	956	2,484
Assets	315,698	49,709	365,407
Equity	45,854	16,598	62,452

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American Safety Insurance has changed its segment reporting to coincide with the strategic direction of American Safety Insurance and the management reporting. Historically American Safety Insurance has reviewed information segmented between real estate and geographical insurance operations as disclosed in our historical filings. The division of real estate, U.S. insurance and Bermuda insurance was the breakdown that met the definition of operation segments as defined in FAS No. 131, Paragraph 10 as this was the level of segmentation reviewed by management. As a by-product of a change in Chief Executive Officers in 2003, our management team changed the strategic direction of American Safety Insurance to focus on certain lines of business. As a result, our management reporting was modified to reflect a more stream-lined segment reporting structure. Prior period segment information has been restated to conform to the current segment structure.

(12) Commitments and Contingencies

At December 31, 2001 and 2002, the Company had aggregate outstanding irrevocable letters of credit which had not been drawn amounting to \$1,000,000 in favor of the Vermont Department of Banking, Insurance, Securities and Health Care Administration. Investments in the amount of \$1,000,000 have been pledged as collateral to the issuing bank.

(13) Liability for Unpaid Loss and Loss Adjustment Expenses

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

	Years Ended December 31,		
	2000	2001	2002
	(In thousands)		
Unpaid loss and loss adjustment expenses, January 1	\$ 20,413	\$ 50,509	\$ 121,423
Reinsurance recoverable on unpaid losses and loss adjustment expenses at end of period	6,065	27,189	77,583
Net unpaid loss and loss adjustment expense, January 1	14,348	23,320	43,840
Inurred related to:			
Current year	17,356	42,469	36,606
Prior years	1,150	1,517	1,668
Total incurred	18,506	43,986	38,274

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Paid related to:			
Current year	4,291	12,952	3,571
Prior years	5,243	10,514	14,715
Total paid	9,534	23,466	18,286
Net unpaid losses and loss adjustment expenses at end of period	23,320	43,840	63,828
Reinsurance recoverable on unpaid losses and loss adjustment expenses at end of period	27,189	77,583	96,801
Unpaid loss and loss adjustment end expenses at of period	\$ 50,509	\$ 121,423	\$ 160,629

The negative claims development commencing in 2000 and continuing through 2001 in the Company's contract surety business line was the result of a rapid expansion of construction activity in the growing U.S. economy in the 1990's, coupled with the shortage of construction labor, followed by a significant downturn in the economy in early 2000-2001, which resulted in a substantial number of contractor defaults. In addition, premium increased on the Company's assumed workers' compensation business (which has been terminated) during 2002 for prior years which resulted in negative development. Management continually attempts to improve its loss estimation process by refining its ability to analyze loss development patterns, claims payments

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and other information, but many reasons remain for potential adverse development of estimated ultimate liabilities. For example, the uncertainties inherent in the loss estimation process have become increasingly subject to changes in legal trends. In recent years, this trend has expanded the liability of insureds, established new liabilities and reinterpreted contracts to provide unanticipated coverage long after the related policies were written. Such changes from past experience significantly affect the ability of insurers to estimate the liabilities for unpaid losses and related expenses.

Management recognizes the higher variability associated with certain exposures and books of business and considers this factor when establishing liabilities for losses. Management currently believes the Company's gross and net liabilities are adequate.

The net liabilities for losses and loss adjustment expenses maintained by the Company's insurance subsidiaries are equal under both statutory and generally accepted accounting principles.

(14) Stock Options

The Company's stock option plan grants incentive stock options to employees. The options have a term of 10 years. The exercise price is equal to the fair market value at the date of grant. The majority of our options generally vest over three years. At December 31, 2002, 596,483 shares were available for future grants.

We use the intrinsic value method to value stock options in accordance with APB No. 25. Under this method, we do not recognize compensation cost for stock options provided the option price equals fair market value at the date of grant. Our stock option plan sets the exercise price equal to the fair market value at the date of grant.

The following table shows the stock option activity for the Company during 2000, 2001 and 2002.

	Option shares	Weighted average exercise price
Outstanding at December 31, 1999	\$ 542,431	\$ 9.78
2000 activity:		

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Granted	99,650	6.00
Canceled	(17,891)	
	<u> </u>	<u> </u>
Outstanding at December 31, 2000	\$ 624,190	\$ 9.20
	<u> </u>	<u> </u>
2001 activity:		
Granted	328,724	6.00
Canceled	(15,341)	
	<u> </u>	<u> </u>
Outstanding at December 31, 2001	\$ 937,573	\$ 8.13
	<u> </u>	<u> </u>
2002 activity:		
Granted	106,000	8.85
Exercised	(61,757)	
Canceled	(23,466)	
	<u> </u>	<u> </u>
Outstanding at December 31, 2002	\$ 958,350	\$ 8.34
	<u> </u>	<u> </u>

Of the 624,190 outstanding options at December 31, 2000, 361,140 were exercisable.

Of the 937,573 outstanding options at December 31, 2001, 834,718 were exercisable.

Of the 958,350 outstanding options at December 31, 2002, 827,433 were exercisable.

The remainder of the options vests evenly over a three year period.

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The following table summarizes information about stock options outstanding at December 31, 2002:

Options Outstanding				Options exercisable		
Range of exercise price	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Grant Year	Number exercisable	Weighted average exercise price
\$ 7.08	65,500	4.75	\$ 7.08	1997	65,500	\$ 7.08
11.00	315,000	5.13	11.00	1998	315,000	11.00
9.50	88,100	6.13	9.50	1999	88,100	9.50
6.00	88,250	7.22	6.00	2000	58,833	6.00
6.00	300,000	8.04	6.00	2001	300,000	6.00
8.85	101,500	9.14	8.85	2002		8.85
\$6.00-11.00	958,350	6.73	\$ 8.34		827,433	\$ 8.36

The fair value of each option granted during 2000, 2001 and 2002 was estimated on the date of grant using the Black-Scholes multiple option approach with the following assumptions: dividend yield of 0.0%; 0.0% and 6.0% expected volatility of 51.08%, 44.33% and 42.75% in 2000, 2001 and 2002, respectively; risk-free interest rate of 5.4%, 5.4% and 3.5% in 2000, 2001 and 2002, respectively; and expected life from the vesting dates ranging from 0.50 years to 10.00 years.

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. The Company expects to grant additional awards in future years. The Company granted options in 2000, 2001 and 2002 at an amount deemed to be fair market value at the date of grant. See Note 1(p) for more information.

(15) Acquisitions

On March 24, 2000, the Company purchased Trafalgar Insurance Company, a Oklahoma licensed insurance company, which has authority to operate as an excess and surplus lines insurance company in 34 states and the District of Columbia. Trafalgar Insurance Company's stock was acquired from Houston Casualty Company for a purchase price of \$16.3 million cash, and Trafalgar had, at closing, cash of \$9.3 million and investments of \$5.7 million creating \$1.3 million of goodwill. The net cash outlay for this acquisition was \$7.0 million. Prior to closing, Trafalgar entered into a bulk assumption reinsurance agreement with Houston Casualty, under which Houston Casualty assumed all of

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Trafalgar's prior and existing insurance business. Trafalgar has been renamed American Safety Indemnity Company.

In January 2000, the Company acquired (i) the stock of L&W Holdings, Inc. and its wholly-owned subsidiary, RCA Syndicate #1, Ltd., an Illinois licensed insurer operating on the INEX (formerly the Illinois Insurance Exchange), (ii) the stock of Principal Management, Inc., an insurance program development and management company headquartered in Okemos, Michigan, and in a related transaction, the Company also acquired (iii) the stock of Pegasus Insurance, a Cayman Islands licensed insurer. The transactions were structured as stock acquisitions, with the purchase price payable by the Company consisting of \$3,500,000 plus 200,000 American Safety common shares and earnout provisions for up to an additional 254,000 American Safety common shares over a five-year period. Of the purchase price, \$1,000,000 of cash and 109,086 shares of stock are held by the Company in escrow to secure the obligations of the sellers. The Company filed a lawsuit in April 2000 in the United States District Court for the Northern District of Georgia for damages and, alternatively, to rescind the acquisitions based upon the sellers' breach of the representations and warranties made concerning the business affairs and financial condition of the acquired companies. The sellers misrepresentations as to the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

business affairs and financial condition of the acquired companies, and the under-reserving for claims, relate only to the operations of the acquired companies. The sellers/defendants filed several motions for summary judgment opposing the Company's rescission claims. In September 2002, the Court entered an order granting the defendants' motions for summary judgment. However, the Court did not rule that the representations and warranties of the defendants in the definitive agreements were correct. The Court also granted the Company's motions for summary judgment on various counterclaims. The Company filed a motion for reconsideration with respect to the Court's order which the Court denied in November 2002. The case will now proceed to trial or the Court may allow additional summary judgment motions to be filed in order to dispose of the case. Thereafter, the Company will have the right to appeal all adverse prior rulings in the case.

(16) Litigation

The Company is a defendant in various litigation matters considered to be in the normal course of or related to its business. While the outcome of these matters cannot be estimated with certainty, management believes (after consultation with legal counsel) that the resolution of such litigation will not have a material adverse effect on the Company's financial statements except for the following matters.

Principal Management, Inc. et al. In January 2000, the Company acquired (i) the stock of L&W Holdings, Inc. and its wholly-owned subsidiary, RCA Syndicate #1, Ltd., an Illinois licensed insurer operating on the INEX (formerly the Illinois Insurance Exchange), (ii) the stock of Principal Management, Inc., an insurance program development and management company headquartered in Okemos, Michigan, and in a related transaction, the Company also acquired (iii) the stock of Pegasus Insurance, a Cayman Islands licensed insurer. The transactions were structured as stock acquisitions, with the purchase price payable by the Company consisting of \$3,500,000 plus 200,000 American Safety common shares and earnout provisions for up to an additional 254,000 American Safety common shares over a five-year period. Of the purchase price, \$1,000,000 of cash and 109,086 shares of stock are held by the Company in escrow to secure the obligations of the sellers.

When RCA Syndicate #1, Ltd. filed its 1999 Annual Statement with the Illinois Department of Insurance in March 2000, the Company first became aware that there had been a material adverse change in the business affairs and financial condition of the acquired companies from that represented by the sellers. The Company launched an investigation which disclosed that the insurance claims experience of the acquired companies had been misrepresented and that incurred losses from insurance claims were significantly in excess of the amounts reported in their claims records and their financial statements. As a result, the Company then made written demand upon the selling shareholders of the acquired companies for rescission of the acquisitions, including a return of the purchase price paid for the companies. The Company filed a lawsuit in April 2000 in the United States District Court for the Northern District of Georgia for damages and, alternatively, to rescind the acquisitions based upon the sellers' breach of the representations and warranties made concerning the business affairs and financial condition of the acquired companies. The sellers' misrepresentations as to the business affairs and financial condition of the acquired companies, and the under-reserving for claims, relate only to the operations of the acquired companies. The sellers/defendants filed several motions for summary judgment opposing the Company's rescission claims. In September 2002, the Court entered an order granting the defendants' motions for summary judgment. However, the Court did not rule that the representations and warranties of the defendants in the definitive agreements were correct. The Court also granted the Company's motions for summary judgment on various counterclaims. The Company filed a motion for reconsideration with respect to the Court's order which the Court denied in November 2002. As a result, the Company recognized a \$1 million expense in 2002. The case will now proceed to trial or the Court may allow additional summary judgment motions to be filed in order to dispose of the case. Thereafter, the Company will have the right to appeal all adverse prior rulings in the case.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Berkley Insurance Company. During the fourth quarter of 2001, one of the Company's former reinsurers, Berkley Insurance Company, disputed its obligations under several reinsurance treaties entered into during the soft reinsurance market that existed in 1998 and 1999. As a result of adverse loss experience to the reinsurer from certain lines of business, Berkley has stopped reimbursing the Company for amounts due under such treaties and requested that the Company retroactively consider taking a greater portion of the losses than is required under the treaties or, alternatively, to rescind and reform portions of certain treaties. The Company instituted arbitration proceedings against the reinsurer and the arbitration hearing is scheduled for late May 2003. Berkley is a subsidiary of W.R. Berkley Corp. (NYSE:BER). As of December 31, 2002, unreimbursed paid claims under the treaties totaled \$14.9 million and additional ceded case reserves and reserves for incurred but not reported losses totaled approximately \$19.6 million. The Company is discussing resolution of this matter with Berkley, although the Company believes the reinsurer's request has no merit and was made in bad faith. The Company recognized a \$1.1 million expense in 2002 for reinsurance recoverables relating to the Berkley dispute as a result of a settlement offer made by the Company. The Company does not believe this dispute will have a material adverse effect on the overall financial condition or liquidity of the Company as management believes the Company has sufficient current cash flows and invested assets to meet its insurance obligations. However, due to the fact that the final decision rests in the hands of an arbitration panel, it is uncertain whether the panel's decision will be on terms favorable to the Company.

(17) Subsequent Event

Harbour Village Zoning. On March 2, 2002, the Town of Ponce Inlet filed a petition for declaratory relief in the Circuit Court of Volusia County, Florida seeking clarification that the Company could not construct a building higher than 35 feet on a beachfront parcel of the last phase of the Harbour Village project, although the Town permitted 30 other buildings in the Town over 35 feet in height, including 10 at the Harbour Village project. The Company's position was that the Town's 1984 ordinance and subsequent development agreements permitted it to construct a beachfront building of up to 70 feet in height in the Harbour Village project. On March 17, 2003, the Court found that a 1983 Town charter amendment limited all buildings in the Town of Ponce Inlet to 35 feet and accordingly ruled that all ordinances and development agreements of the Town adopted since the 1983 charter amendment were beyond the scope of the Town's authority (i.e., ultra vires).

The Company immediately filed a motion for rehearing and upon rehearing on April 11, 2003, the Court vacated its original ruling and issued a new ruling which limited construction of a building no higher than 35 feet on the beachfront parcel. In connection with the rehearing, the Company and the Town of Ponce Inlet agreed to settle pending disputes as to the Company's development plan for the last phase of Harbour Village project and to release all claims against each other. Under this settlement, the Company would (i) continue construction of the 7 story buildings in the Links phase (containing 376 units), (ii) build not more than a 3 story building with condominium units or a beach club on the beachfront parcels, (iii) reduce the Fisherman's Harbour building to a 2 or 3 story commercial center rather than a mixed use 7 story building (planned for 70 units), and (iv) make other accommodations including the payment of \$500,000 to the Town which was expensed in 2002.

These changes in the Company's development plans would reduce the size of the Harbour Village project from 809 to 676 condominium units. As a result, the Company has reallocated the common and land costs of the Harbour Village project over such reduced number of condominium units, which resulted in an increase to the net loss for the fourth quarter of 2002 of \$229,000 from the development of the Harbour Village project.

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	December 31, 2002	June 30, 2003
		(unaudited)
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value	\$ 85,850,658	\$ 90,143,001
Investment in real estate	41,050,921	46,944,394
Short-term investments	18,565,871	20,921,155
Total investments	145,467,450	158,008,550
Cash and cash equivalents	22,158,730	29,623,171
Restricted cash	7,516,845	5,041,820
Accrued investment income	1,751,417	1,275,462
Notes receivable other	6,324,716	5,364,765
Premiums receivable	19,218,941	16,159,996
Receivables for securities sold		21,277,440
Ceded unearned premium	22,612,159	26,680,542
Reinsurance recoverable	117,547,623	125,167,252
Funds on deposit	485,956	1,235,711
Income tax recoverable	345,882	855,389
Deferred income taxes	7,405,586	9,566,153
Deferred policy acquisition costs	7,683,458	8,472,065
Property, plant and equipment	2,117,096	3,035,757
Prepaid items	1,920,054	1,714,965
Intangible assets	1,466,629	1,466,629
Other assets	1,059,796	1,064,601
Total assets	\$ 365,082,338	\$ 416,010,268
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 160,628,579	\$ 185,982,249
Unearned premiums	69,805,945	79,025,354
Reinsurance on paid losses and loss adjustment expenses	4,290,250	5,620,918
Ceded premiums payable	8,141,181	12,009,385
Due to affiliate	1,284,097	177,403
Escrow deposits	14,808,528	12,443,109
Accounts payable and accrued expenses	13,458,995	13,591,643
Funds held	4,570,428	4,758,215
Dividend payable	570,113	
Loan payable	22,182,273	23,330,337
Trust preferred payable		7,704,818
Collateral held	1,315,686	1,086,391
Deferred revenue	1,574,414	2,726,303
Total liabilities	302,630,489	348,456,125

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Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized 5,000,000 shares; no shares issued and outstanding		
Common stock, \$0.01 par value; authorized 15,000,000 shares; issued and outstanding at December 31, 2002 and June 30, 2003, 6,352,077 shares		
	63,520	63,520
Additional paid-in capital	35,601,246	35,601,246
Retained earnings	33,629,557	38,663,825
Accumulated other comprehensive income, net	2,884,989	2,953,015
Treasury stock, 1,612,189 shares at December 31, 2002, and June 30, 2003, at cost	(9,727,463)	(9,727,463)
	<hr/>	<hr/>
Total shareholders' equity	62,451,849	67,554,143
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 365,082,338	\$ 416,010,268
	<hr/>	<hr/>

See accompanying notes to consolidated financial statements (unaudited).

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
Revenues:				
Direct premiums earned	\$ 27,940,967	\$ 34,828,284	\$ 57,798,874	\$ 67,403,787
Assumed premiums earned:				
Affiliate	3,553,857	1,875,349	6,541,476	3,613,308
Nonaffiliates	1,635,335	4,879,073	2,883,607	11,037,049
Total assumed premiums earned	5,189,192	6,754,422	9,425,083	14,650,357
Ceded premiums earned:				
Affiliate	787,385	1,150,966	1,527,437	2,140,705
Nonaffiliates	17,772,163	17,685,601	37,248,942	35,875,780
Total ceded premiums earned	18,559,548	18,836,567	38,776,379	38,016,485
Net premiums earned	14,570,611	22,746,139	28,447,578	44,037,659
Net investment income	899,318	1,144,822	1,874,875	2,259,237
Brokerage commission income	37,514		102,640	
Management fees from affiliate	75,754	244,249	493,181	522,152
Net realized gains (losses)	(547,949)	2,888,968	(465,702)	3,039,683
Real estate income	14,896,921	17,167,373	33,935,661	22,597,220
Other income	36,703	16,879	88,510	31,273
Total revenues	29,968,872	44,208,430	64,476,743	72,487,224
Expenses:				
Losses and loss adjustment expenses incurred	8,561,371	13,883,281	17,530,512	25,977,343
Acquisition expenses	2,308,560	4,278,628	4,684,587	8,435,614
Payroll and related expenses	2,202,352	2,099,339	4,304,100	4,321,251
Real estate expenses	12,459,152	16,714,993	29,154,480	22,876,634
Other expenses	1,559,663	1,754,587	2,695,252	4,100,343
Expense due to rescission	142,844	60,953	353,592	144,512
Total expenses	27,233,942	38,791,781	58,722,523	65,855,697

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Earnings before income taxes	2,734,930	5,416,649	5,754,220	6,631,527
Income taxes	881,534	1,602,733	1,855,293	1,597,258
Net earnings	<u>\$ 1,853,396</u>	<u>\$ 3,813,916</u>	<u>\$ 3,898,927</u>	<u>\$ 5,034,269</u>
Net earnings per share:				
Basic	<u>\$ 0.39</u>	<u>\$ 0.80</u>	<u>\$ 0.83</u>	<u>\$ 1.06</u>
Diluted	<u>\$ 0.38</u>	<u>\$ 0.79</u>	<u>\$ 0.80</u>	<u>\$ 1.05</u>
Common shares used in computing earnings per share:				
Basic	<u>4,743,803</u>	<u>4,739,888</u>	<u>4,724,263</u>	<u>4,739,888</u>
Diluted	<u>4,882,899</u>	<u>4,814,216</u>	<u>4,875,679</u>	<u>4,802,124</u>

See accompanying notes to consolidated financial statements (unaudited).

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Table of Contents**Index to Financial Statements****AMERICAN SAFETY INSURANCE HOLDINGS, LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOW****(unaudited)**

	Six Months Ended June 30,	
	2002	2003
Cash flow from operating activities:		
Net earnings	\$ 3,898,927	\$ 5,034,269
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Realized (gains) losses on sale of investments	465,702	(3,039,683)
Depreciation expense	119,983	149,518
Amortization (deferral) of deferred acquisition costs, net	736,013	(788,607)
Accretion of discount	157,415	225,835
Change in:		
Accrued investment and interest income	(93,205)	475,955
Premiums receivable	5,163,959	3,058,945
Reinsurance recoverable and ceded unearned premiums	(20,660,310)	(10,357,344)
Funds held by reinsured	604,162	187,787
Due from affiliate	(1,708,477)	(1,106,694)
Funds on deposit	(20,502)	(749,755)
Income taxes	970,332	(2,045,837)
Unpaid losses and loss adjustment expenses	17,169,084	25,353,670
Unearned premiums	6,012,524	9,219,409
Ceded premiums payable	(3,028,604)	3,868,204
Due to affiliate	599,353	
Accounts payable and accrued expenses	(2,524,305)	132,648
Collateral held	488,230	(229,295)
Prepaid items	(204,665)	205,089
Deferred revenue	1,018,462	1,151,889
Other, net	(2,805,670)	1,161,417
Net cash provided by operating activities	6,358,408	31,907,419
Cash flow from investing activities:		
Purchases of fixed maturities	(36,189,600)	(59,159,543)
Proceeds from maturity and redemption of fixed maturities	184,139	6,902,964
Proceeds from sale of fixed maturities	26,502,526	27,729,029
Proceeds from sale of equity investments	103,550	
Decrease (increase) in investment in real estate	5,419,084	(5,893,473)
Decrease (increase) in short-term investments	9,550,281	(2,355,284)
Repayment in notes receivable other	98,131	959,951
Purchase of fixed assets, net	(204,953)	(1,068,179)
Net cash provided by (used in) investing activities	5,463,158	(32,884,535)
Cash flow from financing activities:		

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Purchase of treasury stock	(111,741)	
Proceeds from issuance of common stock	360,494	
Proceeds from (repayment of) loan payable	(5,191,990)	1,148,064
Repayment of escrow deposits	(1,950,795)	(2,365,419)
Withdrawals from restricted cash	302,417	2,475,025
Proceeds from trust preferred offering		7,754,000
Dividends paid	(1,132,349)	(570,113)
	<hr/>	<hr/>
Net cash (used in) provided by financing activities	(7,723,964)	8,441,557
	<hr/>	<hr/>
Net increase in cash and cash equivalents	4,097,602	7,464,441
Cash and cash equivalents at beginning of period	1,302,842	22,158,730
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 5,400,444	\$ 29,623,171
	<hr/>	<hr/>

See accompanying notes to consolidated financial statements (unaudited).

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Table of Contents**Index to Financial Statements****AMERICAN SAFETY INSURANCE HOLDINGS, LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
Net earnings	\$ 1,853,396	\$ 3,813,916	\$ 3,898,927	\$ 5,034,269
Other comprehensive earnings (loss) before income taxes:				
Unrealized gains (losses) on securities available for sale	1,385,811	2,348,132	(156,815)	2,945,775
Unrealized (losses) on hedging transaction		(100,958)		(100,958)
Reclassification adjustment for realized gains (losses) included in net earnings	(547,949)	2,888,968	(465,702)	3,039,683
Total other comprehensive earnings (loss) before taxes	1,933,760	(641,794)	308,887	(194,866)
Income tax expense (benefit) related to items of other comprehensive income	445,678	(361,059)	48,146	(262,892)
Other comprehensive earnings (loss) net of income taxes	1,488,082	(280,735)	260,741	68,026
Total comprehensive earnings	\$ 3,341,478	\$ 3,533,181	\$ 4,159,668	\$ 5,102,295

See accompanying notes to consolidated financial statements (unaudited).

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AMERICAN SAFETY INSURANCE HOLDINGS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 Basis of Presentation

The accompanying unaudited interim consolidated financial statements of American Safety Insurance Holdings, Ltd. (American Safety Insurance) and its subsidiaries (collectively, the Company) are prepared in accordance with accounting principles generally accepted in the United States of America and, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the interim period presented. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, based on the best information available, in recording transactions resulting from business operations. The balance sheet amounts that involve a greater extent of accounting estimates and actuarial determinations subject to future changes are American Safety Insurance 's liabilities for unpaid losses and loss adjustment expenses. As additional information becomes available (or actual amounts are determinable), the recorded estimates may be revised and reflected in operating results. While management believes that the liability for unpaid losses and loss adjustment expenses is adequate to cover the ultimate liability, such estimates may be more or less than the amounts actually paid when claims are settled.

The results of operations for the three months and six months ended June 30, 2003 may not be indicative of the results that may be expected for the full year ending December 31, 2003. These unaudited interim consolidated financial statements and notes should be read in conjunction with the financial statements and notes included in the audited consolidated financial statements of the Company for the year ended December 31, 2002.

The unaudited interim consolidated financial statements include the accounts of American Safety and each of its subsidiaries. All significant intercompany balances have been eliminated. Certain items from prior periods have been reclassified to conform with the 2003 presentation.

Note 2 Accounting Pronouncements

During the second quarter of 2003, the Fair Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, and SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. These pronouncements do not have a material effect on our financial statements.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. This interpretation addresses consolidation and disclosure issues associated with variable interest entities. The requirements of the interpretation are not expected to have a material impact

on our financial position or results of operations.

Note 3 Nature of Operations

The following is a description of certain risks facing the Company:

Legal/Regulatory Risk is the risk that changes in the legal or regulatory environment in which an insurer operates will create additional expenses not anticipated by the insurer in pricing its products beyond those recorded in the financial statements. Regulatory initiatives designed to reduce insurer profits or otherwise affecting the industry in which the Company operates, new legal theories or insurance company insolvencies through guaranty fund assessments, may create costs for the Company beyond those recorded in the financial statements. The Company attempts to mitigate this risk by writing insurance business in several states, thereby spreading this risk over a large geographic area.

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AMERICAN SAFETY INSURANCE HOLDINGS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Potential Risk of United States Taxation of Bermuda Operations. Under current Bermuda law, American Safety Insurance is not required to pay any taxes in Bermuda on either income or capital gains. American Safety Insurance has received an undertaking from the Minister of Finance in Bermuda that will exempt American Safety Insurance from taxation until the year 2016 in the event of any such taxes being imposed. American Safety Insurance, exclusive of its United States subsidiaries, does not consider itself to be engaged in a trade or business in the United States and accordingly does not expect to be subject to direct United States income taxation. American Safety Insurance's United States subsidiaries are subject to taxation in the United States.

Whether a foreign corporation is engaged in a United States trade or business or is carrying on an insurance business in the United States depends upon the level of activities conducted in the United States. If the activities of a foreign company are continuous, regular, and considerable, the foreign company will be deemed to be engaged in a United States trade or business. Due to the fact that American Safety Insurance will continue to maintain an office in Bermuda and American Safety Insurance and its Bermuda insurance subsidiary's business is reinsuring contracts via treaty reinsurance agreements, which are all signed outside of the United States, American Safety does not consider itself to be engaged in a trade or business in the United States and, accordingly, does not expect to be subject to United States income taxes. This position is consistent with the position taken by various other entities that have the same operational structure as American Safety Insurance.

However, because the Internal Revenue Code of 1986, as amended (the Code), the Treasury Regulations and court decisions do not definitively identify activities that constitute being engaged in a United States trade or business, and because of the factual nature of the determination, there can be no assurance that the Internal Revenue Service will not contend that American Safety Insurance or its Bermuda insurance subsidiary are engaged in a United States trade or business. In general, if American Safety Insurance or its Bermuda insurance subsidiary are considered to be engaged in a United States trade or business, it would be subject to (i) United States Federal income tax on its taxable income that is effectively connected with a United States trade or business at graduated rates and (ii) the 30 percent branch profits tax on its effectively connected earnings and profits deemed repatriated from the United States.

Credit Risk is the risk that issuers of securities owned by American Safety Insurance or secured notes receivable will default or that other parties, including reinsurers that have obligations to the insurer, will not pay or perform. American Safety Insurance attempts to mitigate this risk by adhering to a conservative investment strategy, by obtaining sufficient collateral for secured note obligations and by maintaining sound reinsurance, credit and collection policies.

Interest Rate Risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. American Safety Insurance attempts to mitigate this risk by attempting to match the maturities of its assets with the expected payouts of its liabilities.

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The amortized cost and estimated fair values of investments at December 31, 2002 and June 30, 2003 are as follows:

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2002:				
Securities available for sale:				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 36,361,353	\$ 1,451,538	\$ 569	\$ 37,812,322
Corporate securities	34,791,767	2,006,419	60,538	36,737,648
Mortgage-backed securities	10,945,048	359,776	4,136	11,300,688
Total fixed maturities	<u>\$ 82,098,168</u>	<u>\$ 3,817,733</u>	<u>\$ 65,243</u>	<u>\$ 85,850,658</u>
June 30, 2003:				
Securities available for sale:				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 41,846,346	\$ 2,205,196	\$ 32,508	\$ 44,019,034
Corporate securities	26,375,641	1,640,843	74,017	27,942,467
Obligations of states and political subdivisions	5,204,949	16,049	44,617	5,176,381
Mortgage-backed securities	13,072,178	26,048	93,107	13,005,119
Total fixed maturities	<u>\$ 86,499,114</u>	<u>\$ 3,888,136</u>	<u>\$ 244,249</u>	<u>\$ 90,143,001</u>

Table of Contents**Index to Financial Statements****AMERICAN SAFETY INSURANCE HOLDINGS, LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 5 Segment Information**

American Safety Insurance initially segregates its business into the following segments: Real Estate and Insurance Operations. The Insurance Operations segment is further classified into three reportable segments: Environmental Specialty, Excess and Surplus Lines, and Program Business.

Real estate consists of the Harbour Village project in Ponce Inlet, Florida, as discussed in Note 7 herein. In our Insurance Operations segment, Environmental Specialty writes insurance coverages for the environmental remediation industry. Excess and Surplus Lines provides commercial casualty insurance coverages, generally in the area of construction and products liability. Program Business facilitates the offering of insurance to homogeneous niche groups of risks.

American Safety Insurance measures the Real Estate and Insurance Operations segments using net income, total assets and total equity. The reportable Insurance Operations segments are measured by net premiums earned, incurred losses and loss adjustment expenses and acquisition expenses. Assets are not allocated to the reportable Insurance Operations segments. The following table presents key financial data by segment for the six months ended June 30, 2002 and June 30, 2003 (in thousands):

<u>June 30, 2002</u>	<u>Real Estate</u>	<u>Insurance</u>				<u>Other</u>	<u>Total</u>
		<u>Environmental</u>	<u>E&S</u>	<u>Programs</u>	<u>Other</u>		
Net premiums earned		\$ 4,819	\$ 14,196	\$ 4,361	\$ 5,072		\$ 28,448
Losses and loss adjustment expenses		\$ 1,893	\$ 7,749	\$ 2,869	\$ 5,020		\$ 17,531
Acquisition expenses		\$ 1,087	\$ 3,295	\$ (885)	\$ 1,187		\$ 4,684
Underwriting profit (loss)		\$ 1,839	\$ 3,152	\$ 2,377	\$ (1,135)		\$ 6,233
Income tax (benefit)	\$ 2,049			\$ (14)		(180)	\$ 1,855
Net earnings (loss)	\$ 2,882			\$ 1,599		(582)	\$ 3,899
Assets	\$ 42,802			\$268,790		60	\$ 311,652
Equity	\$ 14,051			\$ 49,401		(196)	\$ 63,256

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June 30, 2003	Real Estate	Insurance				Other	Total
		Environmental	E&S	Programs	Other		
Net premiums earned		\$ 6,689	\$ 23,920	\$ 10,390	\$ 3,039		\$ 44,038
Losses and loss adjustment expenses		\$ 3,011	\$ 13,433	\$ 6,786	\$ 2,747		\$ 25,977
Acquisition expenses		\$ 1,868	\$ 5,175	\$ 863	\$ 530		\$ 8,436
Underwriting profit (loss)		\$ 1,810	\$ 5,312	\$ 2,741	\$ (238)		\$ 9,625
Income tax (benefit)	\$ (105)		\$ 765			\$ 938	\$ 1,598
Net earnings (loss)	\$ (174)		\$ 3,225			\$ 1,983	\$ 5,034
Assets	\$ 59,068		\$ 356,865			\$ 77	\$ 416,010
Equity	\$ 13,196		\$ 54,595			\$ (237)	\$ 67,554

Additionally American Safety Insurance conducts business in the following insurance geographic segments: United States and Bermuda. Significant differences exist in the regulatory environment in each country. Those differences include laws regarding the types of investments, capital requirements, solvency monitoring, pricing, corporate taxation, etc. The following provides key measurable information about the insurance geographic segments for the six months ended June 30, 2002 and June 30, 2003 (in thousands):

June 30, 2002	United States	Bermuda	Total
Income tax	\$ (14)	\$	\$ (14)
Net earnings	(89)	1,688	1,599
Assets	228,343	40,447	268,790
Equity	32,206	17,195	49,401
June 30, 2003	United States	Bermuda	Total
Income tax	\$ 765	\$	\$ 765
Net earnings	1,577	1,648	3,225
Assets	298,676	58,189	356,865
Equity	35,608	18,987	54,595

American Safety Insurance has changed its segment reporting to coincide with the strategic direction of American Safety Insurance and the management reporting. Historically American Safety Insurance has reviewed information segmented between real estate and geographical insurance operations as disclosed in our historical filings. The division of real estate, U.S. insurance and Bermuda insurance was the breakdown that met the definition of operation segments as defined in FAS No. 131, Paragraph 10 as this was the level of segmentation reviewed by management. As a by-product of a change in Chief Executive Officer's last year, our management team changed the strategic direction of American Safety Insurance to focus on certain lines of business. As a result, our management reporting was modified to reflect a more stream-lined segment reporting structure. Prior period segment information has been restated to conform to the current segment structure.

Note 6 Shareholder Matters

Through June 30, 2003, American Safety Insurance has repurchased 1,612,189 shares of its stock at a total price of \$9,727,463 in open market transactions which commenced in 1999 pursuant to its share repurchase programs.

Note 7 Investment in Real Estate

American Safety Insurance's investment in the development of Harbour Village is comprised of 173 acres of property in Ponce Inlet, Florida (the Property) that was acquired through foreclosure on April 13, 1999. At

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the date of foreclosure, American Safety Insurance evaluated the carrying value of its investment in real estate by comparing the fair value of the foreclosed collateral to the book value of the underlying loan and accrued interest. As the book value of the loan and accrued interest was less than the fair value of the collateral, no loss was recognized on foreclosure and the basis of real estate was recorded in accordance with EITF Abstract 98-11, which included the recognition of \$5.8 million in a deferred tax asset.

As of December 31, 2002 and June 30, 2003, the investment in real estate for Harbour Village is as follows (in thousands):

	December 31, 2002	June 30, 2003
Land	\$ 2,437	\$ 2,221
Capitalized overhead, interest and taxes	3,021	3,026
Work in process	35,593	41,697
Total	\$ 41,051	\$ 46,944

During the quarter ended June 30, 2003, American Safety Insurance closed 67 condominium units and 5 boat slips at Harbour Village and for the quarter ended June 30, 2002, American Safety Insurance closed 49 condominium units and 20 boat slips. American Safety Insurance recognizes revenue when title to each individual unit or boat slip passes to the purchaser. When title passes, American Safety Insurance uses a percentage of completion method, based on actual costs to total estimated costs (including allocated common costs) to recognize revenue. The difference between total sales price and the revenue recognized is set up as deferred revenue and will be recognized as the additional costs of each building are incurred.

Note 8 Income Taxes

Total income tax expense for the six months ended June 30, 2002 and 2003 were allocated as follows:

Six Months Ended June 30,	
2002	2003

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Tax expense attributable to:		
Income from continuing operations	\$ 1,855,293	\$ 1,597,258
Change in unrealized (loss) on hedging transaction		(34,326)
Change in unrealized gains (losses) on securities available for sale	48,150	(228,566)
	<u> </u>	<u> </u>
Total	\$ 1,903,443	\$ 1,334,366
	<u> </u>	<u> </u>

United States Federal and state income tax expense (benefit) from continuing operations consists of the following components:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
June 30, 2002	\$ 511,037	\$ 1,344,256	\$ 1,855,293
June 30, 2003	3,494,933	(1,897,675)	1,597,258

The state income tax expense (benefit) aggregated \$450,001 and \$(4,129) for the six months ended June 30, 2002 and 2003, respectively.

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Income tax expense (benefit) for the periods ended June 30, 2002 and 2003 differed from the amount computed by applying the United States Federal income tax rate of 34% to earnings before Federal income taxes as a result of the following:

	June 30,	
	2002	2003
Expected income tax expense	\$ 1,956,435	\$ 2,254,719
Foreign earned income not subject to U.S. Taxation	(410,220)	(615,684)
State taxes and other	\$ 309,078	\$ (41,777)
	\$ 1,855,293	\$ 1,597,258

Deferred income taxes are based upon temporary differences between the financial statement and tax bases of assets and liabilities. The following deferred taxes are recorded:

	December 31, 2002	June 30, 2003
Deferred tax assets:		
Loss reserve discounting	\$ 3,196,291	\$ 3,974,543
Unearned premium reserves	2,301,174	2,341,491
Difference between tax and GAAP basis of Harbour Village project.	4,057,362	2,499,737
Difference between tax and GAAP method of Harbour Village Project		1,901,357
Warranty reserve	1,022,173	1,012,909
Gross deferred tax assets	\$ 10,577,000	\$ 11,730,037
Deferred tax liabilities:		
Deferred acquisition costs	1,718,506	1,381,940
Unrealized gain on securities	852,800	589,909
Difference between tax and GAAP method of Harbour Village Project	408,073	
Other	192,035	192,035
Gross Deferred tax liabilities	3,171,414	2,163,884

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Net deferred tax asset	\$ 7,405,586	\$ 9,566,153
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Note 9 Notes Receivable

American Safety Insurance ceases the accrual of interest on loans when any payment is past due. Additionally, American Safety Insurance assesses loan impairment by comparing the carrying value of such loan, including accrued but unpaid interest at the valuation date to the fair value of collateral held with respect to such loan. Any shortage of fair value over carrying value is first recognized by reversing interest income recognized for the year of impairment and then recognizing any further loss against the allowance for loan losses. Cash receipts on impaired notes receivable are applied to reduce the principal amount of such notes until the principal has been recovered and are recognized as interest income, thereafter.

As of June 30, 2003, notes receivable consisted of two notes which are secured by real and personal property and various corporate and personal guarantees. These notes are currently in default and American Safety Insurance has filed suit against the borrowers and the guarantors of the indebtednesses.

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The recorded investment in notes receivable, which meet the definition of impaired loans at December 31, 2002 and June 30, 2003 were \$6,324,716 and \$5,364,765, respectively. The weighted average recorded investment in impaired notes receivable as of December 31, 2002 and June 30, 2003 were \$7,723,853 and \$5,844,741, respectively. No interest income was recognized on impaired notes receivable during the three and six months ended June 30, 2002 and June 30, 2003. During the quarter ended June 30, 2003, American Safety Insurance received \$454,951 in payments on these impaired notes receivable. For the six months ended June 30, 2003, American Safety Insurance received \$959,951 in payments on these impaired notes.

Note 10 Goodwill and Intangibles

American Safety Insurance adopted SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142) on January 1, 2002. Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life).

Goodwill and Intangibles	December 31,	June 30,
(in Thousands)	2002	2003
Goodwill		
Indefinite-lived Intangibles	\$ 1,467	\$ 1,467
Other Amortizable Intangibles		
Total Goodwill and Intangibles	\$ 1,467	\$ 1,467

In accordance with the disclosure requirements of SFAS No. 142 there were no effects of goodwill on the net earnings for the six months ended June 30, 2002 and 2003.

Note 11 Commitments and Contingencies

During the fourth quarter of 2001, one of American Safety Insurance's former reinsurers, Berkley Insurance Company (Berkley), disputed its obligations under several reinsurance treaties entered into during the soft reinsurance market that existed in 1998 and 1999. Berkley is a subsidiary of W.R. Berkley Corp. (NYSE:BER). As a result of adverse loss experience to the reinsurer from certain lines of business, Berkley stopped reimbursing American Safety Insurance for amounts due under such treaties and requested that American Safety Insurance retroactively

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consider taking a greater portion of the losses than is required under the treaties or, alternatively, to rescind and reform portions of certain treaties. American Safety Insurance instituted arbitration proceedings against the reinsurer and the arbitration hearing commenced May 19, 2003. During the first week of the arbitration, American Safety Insurance settled its reinsurance recoverables dispute with Berkley. As part of the settlement, Berkley agreed to reimburse American Safety Insurance for all paid losses outstanding as of December 31, 2002, and continue to make payments under reinsurance treaties in the ordinary course of business. In consideration, American Safety Insurance agreed to modify the terms of a reinsurance treaty and to certain other conditions, including the release of Berkley from its other claims in the arbitration. The settlement is governed by a confidentiality undertaking between the parties.

As a result of the settlement with Berkley, net earnings after tax increased \$142,000 for the three months ended June 30, 2003, and for the six months ended June 30, 2003, net earnings decreased \$260,000. The earnings effect for both the three months and six months were affected by the reversal of the prior \$1.1 million accrual from December 2002.

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At June 30, 2003, American Safety Insurance had an employee stock options plan. American Safety Insurance applied the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for the plan. No compensation expense is reflected in net earnings as all options granted under our stock option plan have an exercise price equal to the market value of the underlying common stock on the date of grant. The options in the plan vest evenly over a three year period. The following table illustrates the effect on net earnings and earnings per share, assuming we had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

	Three Months Ending June 30,		Six Months Ending June 30,	
	2002	2003	2002	2003
Net earnings:				
As reported	\$ 1,853	\$ 3,814	\$ 3,899	\$ 5,034
Effect of stock options	120	119	286	191
Pro forma net earnings	\$ 1,733	\$ 3,695	\$ 3,613	\$ 4,843
Net earnings per share				
Basic as reported	\$ 0.39	\$ 0.80	\$ 0.83	\$ 1.06
Basic pro forma	\$ 0.37	\$ 0.78	\$ 0.76	\$ 1.02
Diluted as reported	\$ 0.38	\$ 0.79	\$ 0.80	\$ 1.05
Diluted pro forma	\$ 0.36	\$ 0.78	\$ 0.75	\$ 1.02

The above diluted earnings per share calculation excludes 373,500 options that are anti-dilutive for the three months and six months ended June 30, 2003. There were no anti-dilutive options for the three months and six months ended June 30, 2002.

Note 13 Trust Preferred Payable

American Safety Insurance issued an \$8.0 million variable rate trust preferred security with a maturity in 30 years during the second quarter of 2003 to support the growth of its insurance business, to repay short-term debt and for general corporate purposes. This security requires interest payments on a quarterly basis calculated at a floating rate of LIBOR plus 4.2%. The securities can be redeemed by American Safety Insurance commencing in five years. This debt obligation exposes American Safety Insurance to variability in interest payments due to changes in interest

rates.

Management entered into an interest rate swap to manage fluctuations in interest expense resulting from interest rate risk. Under the interest rate swap, American Safety Insurance receives variable interest payments and makes fixed interest rate payments, thereby creating fixed rate long term debt. The overall effective fixed rate expense as a result of this hedge is 7.1% over the first five years of the obligation. Interest expense for the six months ended June 30, 2003 includes no gains or losses from the interest rate swap. Changes in fair value of the interest rate swap designated as a hedging instrument of the variability of cash flow associated with a floating rate, long-term debt obligation is reported in accumulated other comprehensive income.

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Table of Contents**Index to Financial Statements****HARBOUR VILLAGE DEVELOPMENT CHART****Harbour Village Development Status****Dollars in thousands****(Unaudited)**

Phase 1								
Townhouses				Phase 2				
				The	The			
Oak				Links	Links	Total		
6/30/2003	Marina Condos	Hammock	Riverwalk	North	South	Condos	Boat Slips	Total
Planned number of condominium units and boat slips	248	18	28	188	188	670	142	812
Condominium units and boat slips under contract	248	15	26	173	156	618	142	760
Value of pre-sale contracts (Note 1)	\$ 62,892	\$ 6,696	\$ 10,081	\$ 43,525	\$ 42,984	\$ 166,178	\$ 13,089	\$ 179,267
Number of buildings	8	4	6	4	4	26		
Number of buildings complete by task								
Building foundation	8	4	6	4	4			
Vertical building completed	8	4	6	4	2			
Interior finish completed	8	4	5	2				
Certificate of occupancy received	8	4	5	2				

Outlook For 3rd Quarter of 2003

Units closed		1	3	56		60	3	63
Revenue recognized	\$ 31	\$ 555	\$ 1,361	\$ 13,418		\$ 15,365	\$ 328	\$ 15,693
Other revenue								100
Total revenue								15,793
Gross profit recognized	3	1	27	1,811		1,842	139	1,981
Other expense (income) items								1,507
Pre-tax profit								474

2nd Quarter Actual

Units Closed		4	4	59		67	5	72
Revenue recognized	\$ 71	\$ 1,736	\$ 1,439	\$ 13,182		\$ 16,428	\$ 563	\$ 16,991
Other revenue								176
Total revenue								17,167
Gross profit (loss) recognized	(27)	(131)	(24)	1,625		1,443	261	1,704
Other expense (income) items								1,252
Pre-tax profit								452

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Note 1 - No assurance can be given that purchasers under binding pre-sale contracts with deposits will close each contemplated transaction.

The projected results contained above for unit closings, revenue, gross profit, fixed costs and pre-tax profit are forward looking statements. With respect to American Safety Insurance's development of the Harbour Village property, such forward looking statements involve risks and uncertainties which may cause actual results to differ materially, and are subject to change based on various real estate development industry factors, including competitive housing conditions in the local market area, risks inherent in real estate development and new construction, increases in construction costs, construction delays, weather, litigation, changes in interest rates and the availability of mortgage financing for prospective purchasers of condominium units and boat slips and changes in local and national levels of general business activity and economic conditions.

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1,800,000 Shares

American Safety Insurance Holdings, Ltd.

Common Shares

PROSPECTUS

Morgan Keegan & Company, Inc.

Book-Running Manager

Advest, Inc.

Co-Lead Manager

Through and including _____, 2003 (the 25th day after the date of this prospectus), all dealers

effectuating transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments on subscriptions.

Table of Contents**Index to Financial Statements****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 13. *Other Expenses Of Issuance And Distribution***

The estimated expenses to be paid in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, are as follows:

SEC Registration Statement filing fees	\$ 2,062
NASD fees	\$ *
Listing fees	\$ *
Accounting fees and expenses	\$ *
Legal fees	\$ *
Printing and preparation of Registration Statement, Prospectus, etc.	\$ *
Blue Sky fees and expenses	\$ *
Miscellaneous	\$ *
Total	\$ *

* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

American Safety Insurance Holdings, Ltd.

American Safety Insurance is incorporated under the laws of Bermuda. Section 98 of the Companies Act, 1981 of Bermuda (the Companies Act) provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of Bermuda law otherwise would be imposed on them, except in cases where such liability arises from the fraud or dishonesty of which such director, officer or auditor may be guilty in relation to American Safety Insurance. Section 98 further provides that a Bermudian company may indemnify its directors, officers and auditors against liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favor or they are acquitted or in which they are acquitted or granted relief by the Supreme Court of Bermuda in certain proceedings arising under Section 281 of the Companies Act.

American Safety Insurance has adopted provisions in its Bye-Laws that provide that American Safety Insurance shall indemnify its officers and directors to the maximum extent permitted under the Companies Act. American Safety Insurance has also adopted provisions in its Bye-Laws that provide that each shareholder of American Safety Insurance and American Safety Insurance itself agrees to waive any claim or right of action he or it might have, whether individually or by or in the right of American Safety Insurance, against any director on account of any action

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taken by such director, or the failure of such director to take any action, in the performance of his duties, or supposed duties, with or for American Safety Insurance, provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such director.

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The underwriting agreement provides for reciprocal indemnification between American Safety Insurance and the underwriters against certain liabilities in connection with the offering, including liabilities under the Securities Act of 1933, as amended. Reference is made to the form underwriting agreement filed herewith as Exhibit 1.1.

American Safety Insurance has in force and effect an insurance policy insuring our directors and officers against losses which they or any of them will become legally obligated to pay by reason of any actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty by the directors and officers in the discharge of their duties, individually or collectively, or any matter claimed against them solely by reason of their being directors or officers. Such coverage is limited by the specific terms and provisions of the insurance policies.

ITEM 15. Recent Sales of Unregistered Securities

On May 22, 2003, American Safety Capital Trust issued \$8,000,000 of its Floating Rate InCapS Trust Preferred Securities to InCapS Funding I, Ltd. and 248,000 of its common securities to American Safety Holdings Corp., and in connection therewith, American Safety Holdings Corp., issued \$8,248,000 aggregate principal amount of its Floating Rate Junior Subordinated Notes due 2033 to the Trust. This transaction was exempt from registration pursuant to Regulation D and Section 4(2) under the Securities Act.

On September 30, 2003, American Safety Capital Trust II issued \$5,000,000 of its Floating Rate Trust Preferred Securities to Dekania CDO I, Ltd. and 160,000 of its common securities to American Safety Holdings, Corp., and in connection therewith, American Safety Holdings Corp issued \$5,160,000 aggregate principal amount of its Junior Subordinated Notes due 2033 to the Trust. This transaction was exempt pursuant to Regulation S under the Securities Act.

Table of Contents**Index to Financial Statements****ITEM 16. EXHIBITS**

The following exhibits are filed as part of this registration statement:

<u>Exhibit</u>	<u>Description</u>
*1.1	Form of Underwriting Agreement
4.1	Memorandum of Association of American Safety Insurance Holdings, Ltd. (incorporated by reference to Exhibit 3.1 to Amendment No.1 to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-42749) as filed with the Commission on January 27, 1998) and the Certificate of Incorporation of Change of Name
4.2	Bye-Laws of American Safety Insurance Holdings, Ltd. (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-42749) as filed with the Commission on January 27, 1998)
4.3	Specimen Common Share Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-42749) as filed with the Commission on January 27, 1998)
*5.1	Opinion of Troutman Sanders LLP
*5.2	Opinion of Conyers Dill & Pearman
*8.1	Tax Opinion of Troutman Sanders LLP
10.1	Employment Contract between American Safety Insurance Holdings, Ltd. and Stephen R. Crim (incorporated by reference to Exhibit 10.6 to American Safety Insurance Holdings, Ltd. s Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (File No. 1-14795) as filed with the Commission on April 1, 2002)
10.2(a)	Incentive Stock Option Plan (incorporated by reference to Exhibit 10.2 to Amendment No. 1 to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-42749) as filed with the Commission on January 27, 1998)
10.3(b)	First Amendment to the Incentive Stock Option Plan (incorporated by reference to Exhibit 10.49(b) to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-100065) as filed with the Commission on September 25, 2002)

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10.4	Directors Stock Award Plan (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-42749) as filed with the Commission on January 27, 1998)
10.5	Lease Agreement between 1845 Tenants-In-Common (formerly known as Windy Hill Exchange, L.L.C.) and American Safety Insurance Services, Inc. (formerly known as Environmental Management Services, Inc.) for office space in Atlanta, Georgia (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-42749) as filed with the Commission on December 19, 1997)
10.6(a)	Program Management Agreement between Synergy Insurance Services, Inc. (now known as American Safety Insurance Services, Inc.) and American Safety Risk Retention Group, Inc. (incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Registration Statement on Form S-1 of American Safety Insurance Holdings, Ltd. (Registration No. 333-42749) as filed with the Commission on January 27, 1998)
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10.6(c)	Allocation Agreement among American Safety Insurance Services, Inc., American Safety Casualty Insurance Company, American Safety Indemnity Company, and American Safety Risk Retention Group
21.1	Subsidiaries of American Safety Insurance Holdings, Ltd.
*23.1	Consent of Troutman Sanders LLP (included in Exhibit 5.1)
*23.2	Consent of Conyers Dill & Pearman (included in Exhibit 5.2)
*23.3	Consent of Troutman Sanders LLP (included in Exhibit 8.1)
23.4	Consent of KPMG LLP
24.1	Power of Attorney

* To be filed prior to the effectiveness of this registration statement by an amendment to this registration statement.

Previously filed.

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ITEM 17. *Undertakings*

The undersigned registrants hereby undertake that:

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) For the purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus and filed as a part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be a part of this registration statement as of the time it was declared effective.

(c) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, American Safety Insurance Holdings, Ltd. has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized, on the 31st day of October, 2003.

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

By: /s/ STEPHEN R. CRIM

**President and Chief Executive
Officer**

	<u>Signature</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ STEPHEN R. CRIM</u>	President and Chief Executive Officer (Principal Executive Officer) and Director	October 31, 2003
	Stephen R. Crim		
By:	<u>/s/ STEVEN B. MATHIS</u>	Chief Financial Officer (Principal Financial and Accounting Officer)	October 31, 2003
	Steven B. Mathis		

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By:	*	Director	*
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	Cody W. Birdwell		
By:	*	Director	*
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	David V. Brueggen		
By:	*	Director	*
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	Lawrence I. Geneen		
By:	*	Director	*
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	William O. Mauldin, Jr.		
By:	*	Director	*
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	Thomas W. Mueller		
By:	*	Director	*
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	Frederick C. Treadway		
By:	*	Director	*
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	Jerome D. Weaver		

*By: /s/ STEPHEN R. CRIM

October 31, 2003

Name: **Stephen R. Crim**

Attorney-in-Fact

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