AMERICAN SAFETY INSURANCE HOLDINGS LTD
Form S-1/A
November 20, 2003
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As filed with the Securities and Exchange Commission on November 20, 2003.

Registration No. 333-109799

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2 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.)**

American Safety Insurance Holdings, Ltd.

44 Church Street

P.O. Box HM2064

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(441) 296-8560

(Address, Including Zip Code, and Telephone Number, Including Area Code of Each Registrant s Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ __________

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ __________

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ __________

CALCULATION OF REGISTRATION FEE

Title Of Shares To Be Registered	Amount To Be Registered (1)	Proposed Maximum Aggregate Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (2)(3)
Common Shares, par value $.01 per share.	2,567,656	$12.15	$31,197,020	$2,527

(1) Includes 280,911 Common Shares issuable upon exercise of the underwriters over-allotment option.
(2) Estimated solely for purposes of calculating the registration fee which is calculated pursuant to Rule 457(o) under the Securities Act of 1933.
(3) Previously paid registration fee of $2,590 on October 17, 2003.

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.

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Information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 20, 2003

PROSPECTUS

1,872,745 Shares

American Safety Insurance Holdings, Ltd.

Common Shares

American Safety Insurance Holdings, Ltd. is offering 1,800,000 Common Shares, $.01 par value, and selling shareholders are offering 72,745 Common Shares. We will not receive any proceeds from the sale of our Common Shares by the selling shareholders.

Our Common Shares are quoted on the New York Stock Exchange under the symbol ASI. On November , 2003, the last reported sale price of our Common Shares was $ per share.

You should carefully review the Risk Factors section beginning on page 5 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 the offering payable by us estimated at $56,200.
(3) This is a firm commitment underwriting. We have granted the underwriters the right to purchase up to an additional 280,911 Common Shares to cover over-allotments. The underwriters expect to deliver the shares to purchasers on or about . For further discussion, see Underwriting.

Morgan Keegan & Company, Inc.
Book-Running Manager

Advest, Inc.
Co-Lead Manager

The date of this Prospectus is , 2003

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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, 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 holding company which, through our subsidiaries, develops, underwrites, manages and markets property and casualty insurance and reinsurance to targeted niche markets for environmental remediation, contracting and other specialty risks. We have demonstrated expertise in developing specialty insurance coverages and custom designed risk management programs not generally available in the standard insurance market. We believe the portion of the market for specialty and alternative insurance that we serve is approximately $28.5 billion in annual gross written premiums. For the year ended December 31, 2002, and the nine months ended September 30, 2003, our gross written premiums were $156.6 million and $147.3 million, respectively. For the same periods, our net income was $2.5 million, or $0.51 per diluted share, and $8.0 million, or $1.65 per diluted share, respectively. At September 30, 2003, we had total shareholders equity of $70.0 million, or $14.73 per share.

We were formed in 1986 as a group captive insurance company in Bermuda to provide stable, long term insurance protection for the asbestos abatement and environmental remediation industries in the United States, which had suffered from disruptive market cycles in the standard insurance market. In March 2000, we acquired American Safety Indemnity Company to target additional underserved specialty or alternative niche insurance risks. We now provide specialty insurance coverages and services in all 50 states and market through approximately 205 independent brokers and insurance agencies.

Our Market. We provide insurance primarily to three markets in which standard insurers do not actively participate:

- Our environmental insurance coverages provide complete insurance programs for the environmental risks of environmental contractors, consultants, storage tank owners, commercial real estate owners, manufacturing facilities and hazardous waste facilities. In 2002 we had gross written premiums of $23.4 million and net written premiums of $11.6 million. Through September 30, 2003, we had gross written premiums of $22.4 million and net written premiums of $12.7 million.

- Our excess and surplus coverages consist primarily of general liability for construction risks and a mix of habitational and products liability risks. In 2002 we had gross written premiums of $51.0 million and net written premiums of $43.6 million. Through September 30, 2003, we had gross written premiums of $57.9 million and net written premiums of $49.5 million.

- Our specialty programs include customized insurance for varying specialty niche and homogeneous groups of risks, including commercial packages for small businesses, dry cleaning operators, pest control operators, lawyers professional liability, rural taxicab operators and bail bonds. In 2002 we had gross written premiums of $72.5 million and net written premiums of $17.4 million. Through September 30, 2003, we had gross written premiums of $61.2 million and net written premiums of $16.9 million.

We have targeted these markets because (i) they are less sensitive to competitive pricing pressure, (ii) our expertise in underwriting, loss control and claims management expertise that generally is unavailable for these coverages in the standard insurance market can be utilized to provide better designed and priced policies, and (iii) our size enables us to provide customized terms, thereby providing a competitive advantage relative to less flexible insurers.

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We insure and place risks primarily through our two U.S. insurance subsidiaries and our non-subsidiary U.S. risk retention group affiliate. We reinsure a portion of these risks through our Bermuda reinsurance subsidiary and other third party reinsurers. Our Bermuda reinsurance subsidiary facilitates the allocation of risk among our insurance subsidiaries and generally provides us with greater flexibility in managing our business.

Our Strategy. We have succeeded through identifying insurable risks not identified in the standard insurance market. For these markets, we are able to offer a broad array of innovative insurance products and services. Our strategy has been to enter underserved markets where our expertise provides us with competitive advantages, and we have the ability to quickly reduce our coverages or exit these markets when results do not meet our expectations as a result of pricing, claims experience or other factors. Management has demonstrated its ability to execute on opportunities and at the same time exercise underwriting judgment and discipline. This strategy is most clearly demonstrated through management s willingness to exit or reduce business lines such as surety or workers compensation when they generate unacceptable claims experience or do not meet our profitability goals. A significant portion of our new business comes through independent brokers and agencies who are aware of our interest and ability to offer insurance to underserved markets and who have identified a market that they believe provides both them and us with a potentially profitable opportunity. We plan to continue to expand our insurance lines and services. We believe that we are well positioned for continued success as we continue to implement our business and growth strategies. A component of our strategy includes pursuing acquisitions that can increase our written premiums or our ability to issue new coverages.

Ratings. A.M. Best, an independent nationally recognized insurance industry rating service and publisher, has assigned a rating of A (Excellent) on a group basis to American Safety Insurance, including our two U.S. insurance subsidiaries, our Bermuda reinsurance subsidiary and our non-subsidiary risk retention group affiliate, American Safety Risk Retention Group, Inc. (American Safety RRG). A rating of A (Excellent) is the third highest of A.M. Best s 16 letter ratings. A.M. Best s ratings are an independent opinion of an insurer s ability to meet its obligations to policyholders, which opinion is of concern primarily to policyholders, insurance brokers and agents and should not be considered an investment recommendation.

Real Estate Development Project. We own, and are in the process of completing development of, a residential condominium, marina, par 3 golf course and beach club project known as the Harbour Village Golf and Yacht Club in Ponce Inlet, Florida. We acquired the property through foreclosure in April 1999. We anticipate development of Harbour Village will be completed in 2005. We do not plan to engage in any other real estate development activities.

Offices. Our Bermuda offices are located at 44 Church Street, Hamilton, Bermuda, and the telephone number is (441) 295-5688. The offices of our U.S. subsidiaries are located at 1845 The Exchange, Atlanta, Georgia 30339, and the telephone number is (770) 916-1908.

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THE OFFERING

Common Shares Offered by American Safety Insurance	1,800,000 shares(1)
Common Shares Offered by Selling Shareholders	72,745 shares
Price	$ per share
Common Shares to be Outstanding after the Offering	6,549,266 shares(1)(2)
Use of Proceeds	To increase the capital base and surplus in our insurance subsidiaries and for general corporate purposes. See Use of Proceeds.
NYSE Market Symbol	ASI

(1) This number does not include the 280,911 shares that the underwriters have the option to purchase to cover over-allotments.
(2) Excludes 1,013,300 Common Shares that are subject to stock options.

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SELECTED FINANCIAL DATA

The following consolidated financial data presented below, as of or for each of the years in the five year period ended December 31, 2002, are derived from our audited consolidated financial statements. The summary data presented below as of or for the nine month periods ended September 30, 2002, and 2003, are derived from our unaudited consolidated financial statements. This data is qualified in its entirety by reference to and, therefore, should be read together with, the detailed information and financial statements appearing elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	(In thousands, except per share data and ratios)						
	1998	**1999**	**2000**	**2001**	**2002**	**2002**	**2003**
Statement of operations data:							
Gross premiums written	$ 14,670	$ 23,405	$ 86,873	$ 158,017	$ 156,606	$ 122,277	$ 147,300
Gross premiums earned	13,114	18,140	54,078	146,765	140,006	102,755	127,291
Net premiums earned	9,120	12,125	26,705	62,969	65,949	46,299	69,917
Net investment income	2,847	2,878	2,605	3,650	4,016	2,848	3,568
Net realized gains (losses)	443	174	(518)	652	710	(522)	3,040
Real estate sales				27,561	51,780	44,659	38,878
Total revenue	17,370	21,487	35,979	100,532	123,967	94,280	116,353
Losses and loss adjustment expenses incurred	5,177	6,896	18,506	43,986	38,274	28,179	41,700
Acquisition expenses	1,192	894	3,693	10,431	12,545	7,824	13,360
Real estate expenses			542	25,126	48,527	38,781	37,277
Earnings (loss) before income taxes	5,755	6,003	(2,520)	5,315	3,403	6,966	10,427
Net earnings (loss)	$ 5,954	$ 5,920	$ (1,363)	$ 4,154	$ 2,484	$ 4,932	$ 7,996
Net earnings (loss) per share:							
Basic	$ 1.05	$ 0.99	$ (0.25)	$ 0.87	$ 0.52	$ 1.04	$ 1.69
Diluted	$ 1.04	$ 0.98	$ (0.25)	$ 0.84	$ 0.51	$ 1.01	$ 1.65
Common shares and common share equivalents used in computing net basic earnings (loss)	5,662	6,006	5,496	4,797	4,736	4,732	4,743
Common shares and common share equivalents used in computing net diluted earnings (loss)	5,738	6,032	5,497	4,933	4,871	4,877	4,836
Balance sheet data (at end of period):							
Total investments, excluding real estate	$ 51,048	$ 59,648	$ 91,247	$ 83,578	$ 104,417	$ 102,696	$ 157,359
Total assets	86,147	104,017	207,298	297,261	365,407	346,169	441,722
Unpaid losses and loss adjustment expenses	14,700	20,413	50,509	121,423	160,629	145,121	196,054
Unearned premiums	3,895	9,159	41,953	53,206	69,806	72,249	89,815
Loan payable			11,435	16,403	22,182	13,892	19,216
Trust preferred payable							12,575
Total liabilities	26,878	42,978	149,495	237,281	302,955	279,568	371,769
Total shareholders equity	59,269	61,039	57,803	59,980	62,452	66,601	69,954

GAAP ratios:							
Loss and loss adjustment expense ratio	56.8%	56.9%	69.3%	69.9%	58.0%	60.9%	59.6%
Expense ratio	50.7%	53.2%	47.1%	35.3%	42.3%	38.4%	35.6%
Combined ratio (1)	107.5%	110.1%	116.4%	105.2%	100.3%	99.3%	95.2%
Net premiums written to equity	0.2x	0.2x	0.7x	1.3x	1.3x	0.9x	1.2x

(1) See combined ratio discussion on page 35.

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RISK FACTORS

An investment in the Common Shares involves a number of risks, some of which relate to our Common Shares and this offering and others which relate to American Safety Insurance and its business. You should carefully review the following information about these risks together with other information contained in this prospectus before purchasing any Common Shares.

Risk Factors Relating to American Safety Insurance and the Casualty Insurance Industry

Our financial results could suffer if our A.M. Best ratings are downgraded.

Increased public and regulatory scrutiny of the financial stability of insurance companies have resulted in greater emphasis by policyholders upon insurance company ratings, which has resulted in a potential competitive advantage for insurance companies with higher ratings. In September 2003, A.M. Best reaffirmed its rating of A (Excellent) with a stable outlook on a group basis to American Safety Insurance (including its insurance subsidiaries and its non-subsidiary risk retention group affiliate). Because A.M. Best continually monitors companies with regard to their ratings, our ratings could change at any time, and any downgrade of such rating could adversely affect our business, financial condition and operating results. A.M. Best s ratings represent an independent opinion of an insurer s ability to meet its obligations to policyholders, that is of concern primarily to policyholders, insurance brokers and agents and should not be considered an investment recommendation.

Due to cyclicality in our industry, our financial results are subject to potential fluctuations.

The financial results of casualty insurance companies historically have been subject to significant fluctuations and may vary significantly in the future. Operating results may fluctuate due to a variety of factors, including competitive conditions in the industry, levels of new and renewal insurance business, unpredictable developments in loss trends, adequacy and changes in liabilities established by insurers and reinsurers to reflect the estimated costs of claims payments (which are known as loss reserves) according to their insurance or reinsurance contracts, collectibility of reinsurance receivables, market acceptance of new coverages or enhancements, adverse judicial rulings expanding insurance coverages, changes in operating expenses, fluctuations in interest rates and other changes in investment markets which affect market prices of investments and income from such investments, and changes in levels of general business activity and economic conditions. We experienced increased competitive pricing pressures in our business lines in the late 1990 s. Since 2000, however, the insurance industry has progressed from a soft market (where insurers could not charge higher premiums) to a hard market (where insurers can charge higher premiums). These markets are cyclical and may change at any time.

In addition, insureds are eligible for renewal of their policies on different anniversary dates, subject to underwriting and loss control criteria that we apply. If a large number of insureds were to decline to renew their policies or if their policies were not renewed in a given calendar quarter, our operating results could be materially adversely affected in the renewal quarter and subsequent quarters.

Because we significantly concentrate in certain industries, we are inherently subject to specialty business risks.

Due to our focus on insuring specialty risks, such as environmental remediation and contracting, our operating results could be more exposed than our more diversified competitors to the effects of changes in economic conditions, regulations and legal precedents affecting such specialty industries. These changes may include, but are not limited to, economic downturns that may adversely impact the building and real estate development industry and the degree of enactment and enforcement of federal and state environmental regulations that encourage or require environmental remediation actions.

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Our continued viability depends, in part, upon the availability of obtaining and retaining reinsurance.

Our business depends significantly upon our ability to limit our risk exposure by ceding (i.e., transferring to other reinsurers) parts or significant portions of the potential liability arising from risks insured or reinsured by us. The availability, amount and cost of reinsurance are subject to prevailing market conditions that are beyond our control and that affect our business, financial condition and operating results. It is unclear if reinsurance will continue to be available and, if available, at an affordable cost. If we were unable to maintain or replace our reinsurance treaties upon their expiration, either our exposures would increase or, if we were unwilling to bear such increase in exposures, we would be required to reduce the level of our underwriting commitments. Although we place our reinsurance with reinsurers we believe to be financially stable, a significant reinsurer s inability or unwillingness to make payments under the terms of a reinsurance treaty could have a material adverse effect on our business, financial condition and operating results.

We cannot guarantee that our reinsurers will pay in a timely fashion, if at all, and, as a result, we could experience losses.

We transfer part or a significant portion of the potential liability we have assumed to reinsurers in exchange for part of the premiums we receive in connection with the risk. Although reinsurance makes the reinsurer liable to us to the extent the risk is transferred, it does not relieve us of liability to our policyholder(s). Our reinsurers may not pay the reinsurance recoverables that they owe to us, or they may not pay such recoverables on a timely basis either because of an inability or unwillingness to pay. If our reinsurers fail to pay us or fail to pay us on a timely basis, our business, financial condition and operating results would be adversely affected.

Our loss reserves may prove to be inadequate to cover certain potential claims.

The establishment of appropriate loss reserves is an inherently uncertain process, particularly in the environmental remediation industry, contracting industry, other specialty and business lines, where claims that have occurred may not be reported to an insurance company for long periods of time. Due to these uncertainties inherent in our business lines, the possibility exists that ultimate losses could materially exceed our loss reserves. Insurance companies are required to maintain loss reserves to cover their estimated ultimate liability for losses and loss adjustment expenses with respect to reported and incurred but not reported claims. Loss reserves are estimates at a given time involving actuarial and statistical projections of what we expect to be the cost of the ultimate settlement and administration of claims. These estimates are based on facts and circumstances then known, predictions of future events, estimates of future trends, claims frequency and severity, potential judicial expansion of liability precedents, legislative activity and other factors, such as inflation. A full actuarial analysis is performed to provide reserve studies, rate studies, and regulatory opinions. To the extent that loss reserves prove to be inadequate in the future, we would have to increase the reserves and incur charges to earnings in the periods such reserves were increased, which would cause fluctuations in operating results and could have a material adverse effect on our business, financial condition and operating results.

We rely on independent insurance brokers and agencies to market our products and their inability to successfully market our products could impact our business, financial condition and operating results.

The failure or inability of independent insurance brokers and agencies to market our insurance programs successfully could have a material adverse effect on our business, financial condition and operating results. We market most of our insurance programs through approximately 205 independent insurance brokers and agencies. These brokers and agencies are not obligated to promote our insurance programs and may also sell competitors insurance programs. As a result, our business depends in part on the marketing efforts of these brokers and agencies and on our ability to offer insurance programs and services that meet the requirements of the clients and customers of these brokers and agencies. Furthermore, as of September 30, 2003, approximately 82% of our premiums written in our excess and surplus business line (or approximately

32% of our aggregate premiums written) were produced through five brokers, and the loss of one or more of these brokers going forward could have a material adverse effect on our business, financial condition and operating results.

Our ability to expand the insurance products that we offer and the markets in which we operate is dependent on several factors. Impairment of any one of these factors may adversely affect our ability to expand the insurance products that we offer and the markets in which we operate.

Our growth strategy includes continued internal growth, particularly of our specialty business lines and the development of new insurance coverages. In order to establish this growth, we depend on the following factors:

- identifying insurable risks not served adequately by the standard insurance market;
- the availability of adequate capital;
- our ability to obtain necessary regulatory approval; and
- our ability to maintain our financial strength ratings.

The impairment of any of these factors could affect our internal growth, which may cause our business, financial conditions and operating results to suffer.

Our insurance operation subsidiaries are subject to various regulations that may change at any time, and our inability to successfully comply with any changed regulations may adversely affect our business, financial condition and operating results.

Insurance Regulation. Our primary insurance and reinsurance subsidiaries, as well as our non-subsidiary risk retention group affiliate, are subject to regulation under applicable insurance statutes of the jurisdictions in which they are domiciled or licensed and write insurance. Such regulation may limit our ability to, or speed with which we can, effectively respond to market opportunities and may require us to incur significant annual regulatory compliance expenditures. Insurance regulation is intended to provide safeguards for policyholders rather than to protect shareholders of our insurance companies. Insurance regulation relates to authorized business lines, capital and surplus requirements, types and amounts of investments, underwriting limitations, trade practices, policy forms, claims practices, mandated participation in shared markets, loss reserve adequacy, insurer solvency, transactions with related parties, changes in control, payment of dividends and a variety of other financial and nonfinancial components of an insurance company s business. Any changes in insurance laws and regulations could materially adversely affect our business, financial condition and operating results. We are unable to predict what additional laws and regulations, if any, affecting our business may be promulgated in the future or how they might be interpreted.

Dividend Regulation. We rely to a significant degree on dividends from our insurance subsidiaries to be able to pay dividends to our shareholders. The payment of dividends by these subsidiaries is subject to regulatory restrictions and will depend on the surplus and future earnings of these subsidiaries. As a result, we may not be able to receive dividends from our subsidiaries at times and in amounts sufficient to pay dividends to our shareholders our board of directors may wish to declare. However, we do not intend to pay cash dividends on our Common Shares in the foreseeable future.

Environmental Regulation. Environmental remediation activities and other environmental risks are highly regulated by both federal and state governments. Environmental regulation is continually evolving and changes in the regulatory patterns at federal and state levels may have a significant effect upon potential claims under our policies. Such changes may also affect the demand for the types of insurance offered by and through us and the availability or cost to us of reinsurance. We are unable to predict what additional laws and regulations, if any, affecting environmental remediation activities and other environmental risks may be promulgated in the future or how they might be interpreted.

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We may expand the insurance programs that we offer and the markets in which we operate by acquiring other companies. There are risks associated with acquisitions that we may be unable to control. If we are unable to control these risks, our business, financial condition and operating results could be materially adversely affected.

Our growth strategy includes potential strategic acquisitions. Although we are not currently engaged in negotiations with respect to any acquisition, any future acquisition would be accompanied by risks commonly encountered in acquisitions of companies. Such risks include, among other things, the difficulty in assimilating the operations and personnel of an acquired company; potential disruption of our ongoing business; inability to successfully integrate acquired systems and insurance programs into our operations; maintenance of uniform standards, controls and procedures; and possible impairment of relationships with employees and insureds of an acquired business as a result of changes in management. If a future acquisition is impacted by these risks, we may not be able to fully achieve the anticipated growth in existing and new insurance lines, which may cause our business, financial condition and operating results to suffer.

Our Bermuda operations could be subject to United States taxation.

Both American Safety Insurance and our reinsurance subsidiary, American Safety Reinsurance, are organized under Bermuda law. Bermuda s tax laws are more favorable to American Safety Insurance and American Safety Reinsurance than the United States tax laws because Bermuda companies are not obligated to pay any taxes in Bermuda based upon income or capital gains. If our Bermuda-based operations were determined to be subject to United States taxation, our operating results could be materially adversely affected. The United States Internal Revenue Code of 1986, as amended (the Code), does not contain a definitive identification of activities that constitute being engaged in a United States trade or business, and the possibility exists that the Internal Revenue Service could take the position that our Bermuda-based operations are engaged in a United States trade or business and, therefore, are subject to United States income taxation. Our U.S. subsidiaries, however, are subject to United States taxation.

Interest rate fluctuations could impact the value of our investment portfolio.

Our investment portfolio is comprised mostly of fixed-income securities. The value of these investments is subject to fluctuations depending on changes in prevailing interest rates. We do not hedge our investments against interest rate risks and, accordingly, changes in interest rates may result in fluctuations in the value of our investments. The result of changes in interest rates could affect our unrealized gains or losses in our fixed income portfolio.

The trading market for the Common Shares is thin, which could result in illiquidity of your investment in the Common Shares.

The Common Shares currently trade on the New York Stock Exchange. The average daily trading volume of the 52 weeks ended November , 2003 was approximately shares. While the Common Shares to be sold in the offering will increase the number of shares available for trading, a more active trading market may not develop and, if developed, it may not be maintained, which could result in illiquidity of your investment in the Common Shares.

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Sales at the Harbour Village real estate development project may be not generated in a timely manner and, thus, our financial results may be adversely impacted.

Our real estate development subsidiary, Ponce Lighthouse Properties, Inc., is developing residential condominium units and related amenities in Ponce Inlet, Florida, which property we acquired through foreclosure. The development is large an estimated 676 condominium units and has attendant to it all of the risks that typically accompany a large real estate development project. These may include:

- the need to finance construction activities in a difficult capital market environment;
- the costs and risks of complying with environmental, land use, zoning and other regulatory requirements;
- the risk of design and construction flaws;
- the risk that buyers of pre-sold units will default;
- the risk that we will not have buyers for units that are not pre-sold; and
- the general economic risks attendant to developing real estate for primary or secondary homes and retirement homes in the current economy.

Any of these risks, or any other unforeseen risks, could cause our results from the development of the Harbour Village project to not meet our expectations for profitability.

Risk Factors Relating to the Common Shares

Shares Eligible for Future Sale.

Future sales, or the availability for future sales, of substantial amounts of the Common Shares could adversely affect the market price of the Common Shares. Several members of our board of directors hold a significant portion of the outstanding Common Shares, and a decision by one or more of these shareholders to sell their shares could adversely affect the market price of the Common Shares. All Common Shares offered hereby (including any shares issued upon exercise of the Underwriters over-allotment option) will have been registered under the Securities Act of 1933, as amended and will be freely tradable without restriction or further registration under the Securities Act, except for shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act. Shares beneficially owned by our affiliates may not be sold except in compliance with the registration requirements of the Securities Act or pursuant to an exemption from registration, such as Rule 144. Common Shares held by our executive officers, directors and principal shareholders are subject to lock-up agreements for a period of 180 days after the date of this prospectus. See Underwriting.

Limitations in our Bye-Laws on share ownership and voting rights might prevent a third party from acquiring us.

Our Bye-Laws provide that no United States shareholder may own more than 9.5% of the outstanding Common Shares other than Frederick C. Treadway or Treadway Associates, L.P., one of our founders. Under the Bye-Laws, we are required to decline to register any transfer of Common Shares that would result in a United States shareholder directly, indirectly or constructively owning, within the meaning of Section 958 of the Code, shares constituting more than 9.5% of the outstanding Common Shares. Similar restrictions apply to our ability to issue new shares. We also may, in our absolute discretion, decline to register the transfer of any Common Shares if they have reason to believe (i) that such transfer would expose us, any subsidiary or any shareholder to adverse tax, legal or regulatory treatment or would be in breach of any applicable law or regulatory requirement in any jurisdiction, or (ii) that registration of such transfer under the Securities Act, or under any or under any state securities laws or under the laws of any other jurisdiction is required and such registration has not been duly effected. We are authorized to request information from any holder or prospective acquiror of shares as necessary to give effect to the transfer and issuance limitations referred to above, and may decline to effect any transaction if complete and accurate information is not received as requested.

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The Bye-Laws also provide that if we, in our absolute discretion, determine that share ownership by any shareholder may result in adverse tax, regulatory or legal consequences to us, any subsidiaries or any other shareholder, we will have the option, but not the obligation, to repurchase all or part of the shares held by such shareholder to the extent we determine necessary to avoid such adverse consequences.

In addition, the Bye-Laws generally provide that if a United States shareholder is treated as directly, indirectly or constructively owning, within the meaning of Section 958 of the Code, shares having more than 9.5% of the total votes of all the Common Shares, the voting rights attached to the shares such person owns or is treated as owning will be reduced to 9.5%, other than the voting rights of Frederick C. Treadway or Treadway Associates, L.P. As a result of the attribution provisions of the Code, this requirement may have the effect of reducing the voting rights of a shareholder whether or not such shareholder directly holds Common Shares having more than 9.5% of the votes. Further, we have the authority to request from any shareholder certain information for purposes of determining whether such shareholder s voting rights are to be reduced. Failure to respond to such notice, or the submission of incomplete or untrue information, gives us discretion to disregard all votes attached to such shareholder s shares. See Description of the Common Shares.

Our Bye-Laws contain other provisions that may be viewed as inhibiting a third party from acquiring us. Specifically, our Bye-Laws (i) require the affirmative vote of at least 66 $^{2}/3$% of the outstanding shares entitled to vote to approve a merger; (ii) require the affirmative vote of at least 66 $^{2}/3$% of the outstanding shares entitled to vote to amend, repeal or adopt any provision inconsistent with the foregoing provisions of the Bye-Laws; and (iii) provide for a classified or staggered board of directors. These provisions could have the effect of discouraging a prospective acquirer from making a tender offer or otherwise attempt to acquire us. To the extent that these provisions discourage takeover attempts, they could deprive shareholders of opportunities to realize takeover premiums for their shares or could depress the market price of the Common Shares.

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking statements. You can identify these statements by the use of forward-looking terminology, such as may, will, expect, estimate, anticipate, believe, target, plan, project, or continue, or the negatives or other variations or simila have made these statements based on our plans and current analyses of our business and the insurance industry as a whole. These statements also relate to our belief that the insurance market is improving in terms of premium rates.

Some of the risks and uncertainties identified by these forward-looking statements, include, but are not limited to:

- general economic conditions and other factors, including prevailing interest rate levels, stock market performance, insurance market capacity and health care inflation, which may affect our ability to sell our insurance products and services, the market value of our investments and the renewal rate and profitability of our business lines;
- customer response to new insurance products and services, distribution channels and marketing initiatives;
- the nature and extent of worker injuries and the cost of healthcare related thereto;
- changes in the U.S. income tax laws and regulations which may affect the relative tax advantages of some of our business operations;
- increasing competition in the sale of our insurance products and services; and
- regulatory changes or actions, including those relating to the regulation of the sale, underwriting and pricing of insurance products and services, and capital requirements.

The above factors, in some cases, have affected, and in the future could affect, our financial performance and could cause operating results for fiscal year 2003 and beyond to differ materially from those expressed or implied in the forward-looking statements. These and other material risk factors relating to us and the Common Shares are more fully described under the caption Risk Factors beginning on page 5.

You may rely on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor the sale of the Common Shares means that information contained in this prospectus is correct after the date of this prospectus and, except to the extent required by law, we expressly disclaim any obligation to update the information. This prospectus is not an offer to sell or solicitation of an offer to buy the Common Shares in any circumstances under which the offer or solicitation is unlawful.

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SELLING SHAREHOLDERS

The following table sets forth certain information regarding the ownership, as of November 19, 2003, of our Common Shares by each selling shareholder offering to sell Common Shares in the Offering. For more information concerning the selling shareholders, see Principal Shareholders.

Selling Shareholder	Number of Shares Held Prior to the Offering	Number of Shares to be Sold in the Offering	Number of Shares Held After the Offering	Percentage of Common Stock Held After the Offering
The Thomas W. Mueller Trust(1)	182,745	22,745	160,000	2.4%
Market Street Realty Trust(2)	151,960	50,000	101,960	1.5%

(1) Thomas W. Mueller, a director of American Safety Insurance is the sole beneficiary of The Thomas W. Mueller Trust.
(2) Thomas W. Mueller, a director of American Safety Insurance is one of three trustees of Market Street Realty Trust.

USE OF PROCEEDS

The net proceeds of the Offering are expected to be $__________. We intend to invest the net proceeds from the Common Shares to implement our business and growth strategy by (i) increasing the capital and surplus base of our insurance subsidiaries to take advantage of improving premium rates in the property and casualty insurance market, as needed, and (ii) use the remainder of the balance of the net proceeds for general corporate purposes. The precise amounts and timing of expenditures of the net proceeds will depend on our funding requirements and the availability of other capital resources. Pending application of the net proceeds as described above, we intend to invest the proceeds from the offering in short-term and intermediate-term interest-bearing securities.

The net proceeds of the offering will increase our capital and surplus, which will contribute toward our obtaining a higher financial size rating from A.M. Best. Our financial size rating may be increased by A.M. Best when we achieve capital and surplus of $100 million. Prior to the offering we will have capital and surplus of approximately $70.0 million. Following the offering we expect to have capital and surplus of approximately $ million.

We have agreed to register 72,745 Common Shares for the account of our selling shareholders. See Selling Shareholders. We will not receive any proceeds from the sale of the Common Shares sold by a selling shareholder. All net proceeds from the sale of the Common Shares sold by a selling shareholder will go to the selling shareholders that offer and sell their shares.

DIVIDEND POLICY

We do not anticipate paying cash dividends on the Common Shares in the near future. In the past, we have paid dividends on the Common Shares. In June 2003, our board of directors decided to suspend paying dividends on the Common Shares so that we could utilize the capital to take advantage of improving premium rates in the property and casualty insurance market. As an insurance holding company, our ability to pay cash dividends to our shareholders depends, to a significant degree, on the ability of our insurance subsidiaries to pay cash dividends to us. The jurisdictions in which we and our insurance subsidiaries are domiciled place limitations on the amount of dividends or other distributions payable by insurance companies in order to protect the solvency of the insurers. Our current policy is for our primary insurance and reinsurance subsidiaries to retain their capital for growth. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, Business Regulatory Environment and Note 8 to our Consolidated Financial Statements regarding the limitations on our regulated insurance subsidiaries with respect to the payment of dividends.

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CAPITALIZATION

The following table shows the consolidated capitalization of American Safety Insurance at September 30, 2003, and as adjusted to give effect to the receipt and application of the estimated net proceeds from this offering.

	As of September 30, 2003	As Adjusted for this Offering
	(In Thousands)	
Long-term debt	19,216	19,216
Trust preferred payable	12,575	12,575
Total debt	31,791	31,791
Shareholders equity		
Preferred stock, $.01 par value; authorized 5,000,000 shares; no shares issued and outstanding, as of September 30, 2003		
Common stock, $.01 par value; authorized 15,000,000 shares; 4,749,266 shares issued and outstanding, as of September 30, 2003	47	67
Additional paid-in capital	25,990	
Accumulated other comprehensive income	2,291	2,291
Retained earnings	41,626	41,626
Total shareholders equity	69,954	
Total capitalization	$ 101,745	$

For additional information regarding our capital resources, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Shares commenced trading on the Nasdaq on February 13, 1998 as a result of the completion of our initial public offering. On February 5, 1999, our Common Shares were listed and traded on the New York Stock Exchange under the symbol ASI and our prior listing on the Nasdaq ceased. As of November , 2003, there were approximately 2,200 record holders of our Common Shares.

The following table sets forth the high and low prices per share of our Common Shares for the periods indicated.

Fiscal Year Ended December 31, 2001	High	Low
First Quarter	$ 9.10	$ 5.75
Second Quarter	10.25	7.95
Third Quarter	10.35	8.80
Fourth Quarter	9.65	8.80
Fiscal Year Ended December 31, 2002	**High**	**Low**
First Quarter	$ 9.75	$ 8.65
Second Quarter	9.39	8.08
Third Quarter	8.85	7.74
Fourth Quarter	7.75	5.80
Fiscal Year Ended December 31, 2003	**High**	**Low**
First Quarter	$ 7.33	$ 6.69
Second Quarter	9.15	6.18
Third Quarter	13.60	9.03
Fourth Quarter (through November , 2003)		

We issued no cash dividends in fiscal year 2001, four quarterly cash dividends of 12 cents per share for each quarter in fiscal year 2002 and no cash dividends in fiscal year 2003. In June 2003, our board of directors decided to cease paying dividends on the Common Shares so that we could utilize the capital to take advantage of improving premium rates in the property and casualty insurance market. As an insurance holding company, our ability to pay cash dividends to our shareholders depends, to a significant degree, on the ability of our insurance subsidiaries to pay cash dividends to us. The jurisdictions in which we and our insurance subsidiaries are domiciled place limitations on the amount of dividends or other distributions payable by insurance companies in order to protect the solvency of the insurers. Our current policy is for our insurance and reinsurance subsidiaries to retain their capital for growth. We do not intend to pay cash dividends on our Common Shares in the foreseeable future.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

We are a specialty insurance holding company which through our subsidiaries, develops, underwrites, manages and markets property and casualty insurance and reinsurance to targeted niche markets in all 50 states for environmental remediation, contracting and other specialty risks. We have demonstrated expertise in developing specialty insurance coverages and custom designed risk management programs not generally available in the standard markets. We also own, and are in the process of completing development of, a residential condominium, marina, par-3 golf course and beach club project known as Harbour Village Golf and Yacht Club (Harbour Village) in Ponce Inlet, Florida. We anticipate development of Harbour Village will be completed in 2005. We do not plan to engage in any other real estate development activities.

The following information is presented on the basis of accounting principles generally accepted in the United States of America (GAAP) and should be read in conjunction with Risk Factors, Business, Selected Financial Data and our consolidated financial statements and the related notes included elsewhere in this prospectus. All amounts and percentages are rounded.

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The table below sets forth our consolidated revenues:

	Year Ended December 31,			Nine Months Ended September 30,		Year Ended December 31,		Nine Months Ended September 30,
	2000	2001	2002	2002	2003	2000 to 2001	2001 to 2002	2002 to 2003
				(Dollars in thousands)				
Environmental	$ 3,464	$ 5,266	$ 9,971	$ 6,338	$ 10,543	52.0%	89.3%	66.3%
Excess and Surplus	1,788	20,840	34,269	23,852	38,855	1,065.5	64.4	62.9
Programs	2,829	8,204	11,614	8,339	15,971	190.0	41.6	91.5
Other	18,624	28,659	10,095	7,770	4,548	53.9	(64.8)	(41.4)
Total net premiums earned	26,705	62,969	65,949	46,299	69,917	135.8	4.7	51.0
Net investment income	2,605	3,650	4,016	2,848	3,568	40.1	10.0	25.3
Management fees from affiliate	1,425	1,496	1,183	740	835	5.0	(20.9)	12.8
Net realized gains (losses)	(518)	652	710	(522)	3,040	225.9	8.9	682.4
Real estate income		27,561	51,780	44,659	38,878		87.9	(12.9)
Other income (1)	5,762	4,204	329	256	115	(27.0)	(92.2)	
Total Revenues	$ 35,979	$ 100,532	$ 123,967	$ 94,280	$ 116,353	179.4%	23.3%	23.4%

(1) Other income consists of interest from notes receivable, brokerage commission income and other miscellaneous sources.

The following table sets forth the components of our GAAP combined ratio for the period indicated:

Year Ended December 31,