

AMERICAN SAFETY INSURANCE HOLDINGS LTD

Form 8-K/A

May 05, 2005

American Safety Insurance Holdings, Ltd. Reports
71% Increase for First Quarter Insurance Earnings

HAMILTON, Bermuda, May, 4, 2005 American Safety Insurance Holdings, Ltd. (NYSE: ASI) today reported that earnings from insurance operations increased by 71% to \$3.6 million from \$2.1 million for the first quarter of 2004. Net earnings for the quarter were \$3.6 million, or \$0.50 per diluted share, for the first quarter ended March 31, 2005 as compared to earnings of \$3.6 million, or \$0.49 per diluted share for the first quarter of 2004. First quarter net earnings are detailed as follows:

	Quarter Ended <u>March 31, 2005</u>	Quarter Ended <u>March 31, 2004</u>
Insurance Operations	\$3,604,917	\$2,110,829
Real Estate Operations	27,737	1,521,118
Other, including realized gains and (losses)	13,689	17,873
Net Earnings	<u>\$3,646,343</u>	<u>\$3,649,820</u>

The increase in insurance earnings for the quarter was due to strong underwriting results combined with increased investment income. The underwriting results for the quarter were driven by an improved loss ratio, which decreased to 60% from 66% in the first quarter of 2004. The Company experienced no adverse reserve development in the first quarter of 2005. The decrease in real estate earnings for the quarter was due to the substantial completion of the Harbour Village project at the end of 2004.

Total revenues for the first quarter of 2005 decreased 20% to \$40 million as compared to the same quarter of 2004 due to a decrease in real estate revenues. For the quarter, revenue from insurance operations increased by 4% to \$38 million from \$36 million for the first quarter of 2004. Net premiums earned for the first quarter of 2005 increased 1.5% to \$35 million from the same quarter of 2004 due to increases in earned premium in the Company's core lines of business. Net investment income increased 52% to \$3.2 million from \$2.1 million in the first quarter of 2004 as a result of increased invested assets and an increase in the investment yield to 3.8% from 3.4%. Net cash flow generated from operations decreased to \$18 million for the quarter compared to \$23 million in the same quarter of 2004 due to an increase in paid losses. The Company's book value per share remained unchanged at \$16.04 compared to December 31, 2004 as a result of an unrealized loss on the Company's investment portfolio due to rising interest rates.

Commenting on the results, Stephen R. Crim, President and Chief Executive Officer of American Safety Insurance Holdings, Ltd., said, "I am pleased with the increase in earnings and solid underwriting results from our insurance operations. We experienced no adverse reserve development this quarter and the growth in our insurance earnings replaced the earnings from the Harbour Village project. While we are experiencing some softening rates in the market, our focus on underserved markets has helped us achieve modest growth in our gross written premiums for the quarter. Looking ahead, I believe that current market conditions in our core lines of business continue to present opportunities for modest premium growth and we anticipate strong earnings based on our targeted combined ratio of 95% in 2005."

A conference call to discuss first quarter 2005 results is scheduled for Thursday, May 5, 2005 at 9:00 a.m. (Eastern Time), which will be broadcast through the Investor Broadcast Network's Vcall website at www.vcall.com or the Company's website at www.americansafetyinsurance.com. A replay will be available on the Company's website.

American Safety Insurance Holdings, Ltd. is a specialty insurance holding company which, through its subsidiaries, provides innovative insurance solutions for specialty risks in underserved markets. Additional information about the Company can be found at www.americansafetyinsurance.com.

This press release contains forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance, including insurance market conditions, premium growth, earnings, combined ratio, insurance claims and losses, and the Harbour Village real estate development project. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially, including competitive conditions in the insurance industry, levels of new and renewal insurance business, developments in loss trends, adequacy and changes in loss reserves and actuarial assumptions, timing or collectibility of reinsurance recoverables, market acceptance of new coverages and enhancements, changes in reinsurance costs and availability, potential adverse decisions in court and arbitration proceedings, and changes in levels of general business activity and economic conditions. For additional factors, which could influence the results of the Company's operating and financial performance, see the Company's filings with the Securities and Exchange Commission.

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American Safety Insurance Holdings, Ltd. and Subsidiaries

Financial and Operating Highlights

	Three Months Ended March 31	
	<u>2005</u>	<u>2004</u>
INCOME STATEMENT DATA:		
Revenues:		
Direct and assumed premiums earned	\$ 55,252,062	\$ 55,42
Ceded premiums earned	<u>(20,631,451)</u>	<u>(21,305)</u>
Net premiums earned	34,620,611	34,11
Net investment income	3,156,381	2,07
Net realized gains	52,232	2
Real estate income	2,309,000	13,95
Other income	<u>1,949</u>	<u>3</u>
Total revenues	<u>\$ 40,140,173</u>	<u>\$ 50,19</u>
Expenses:		
Losses and loss adjustment expenses	\$ 20,781,044	\$ 22,35
Acquisition expenses	7,126,379	6,61
Payroll and related expenses	2,966,986	2,62
Real estate expenses	2,264,529	11,49
Other expenses	2,505,319	2,09
Minority interest	587,898	17
Expense due to rescission	<u>10,868</u>	<u>2</u>
Total expenses	<u>\$ 36,243,023</u>	<u>45,38</u>
Earnings before income taxes	3,897,150	4,81
Income taxes	250,807	1,16
Net earnings	<u>\$ 3,646,343</u>	<u>\$ 3,64</u>
Net earnings per share:		
Basic	<u>\$ 0.54</u>	<u>\$</u>
Diluted	<u>\$ 0.50</u>	<u>\$</u>
Average number of shares outstanding:		
Basic	<u>6,791,476</u>	<u>6,91</u>
Diluted	<u>7,265,523</u>	<u>7,40</u>
GAAP combined ratio	94.5%	
BALANCE SHEET DATA:		
	March 31	Decembe
	<u>2005</u>	<u>200</u>
Total investments, excluding real estate	\$ 339,951,478	\$ 327,03
Total assets	609,382,260	584,15
Unpaid losses and loss adjustment expenses	336,842,713	321,62
Total liabilities	500,321,143	475,38
Total shareholders' equity	109,061,117	108,77
Book value per share	\$ 16.04	\$

American Safety Insurance Holdings, Ltd. and Subsidiaries

Financial and Operating Highlights

	Three Months Ended December 31,	
	2005	2004
PREMIUM SUMMARY (in Thousands)		
Gross Written Premium:		
Environmental	\$ 13,594	\$ 9,159
Excess and Surplus	27,053	27,897
Program Business	23,060	21,248
Other	504	1,050
Total	64,211	59,354
Net Written Premium:		
Environmental	10,967	7,072
Excess and Surplus	22,185	23,787
Program Business	3,403	3,074
Other	215	624
Total	36,770	34,557
Net Earned Premium:		
Environmental	8,745	6,916
Excess and Surplus	21,104	19,841
Program Business	4,398	4,698
Other	374	2,664
Total	\$ 34,621	\$ 34,119