AMERICAN SAFETY INSURANCE HOLDINGS LTD
Form 10-Q
May 13, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2005 Commission File Number 1-14795

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

(Exact name of Registrant as specified in its charter)

Bermuda Not Applicable (State or other jurisdiction (I.R.S. Employer of incorporation) Identification No.)

44 Church Street
P.O. Box HM2064
Hamilton HM HX, Bermuda
(Address, zip code of principal executive offices)
(441) 296-8560
(Registrant s telephone number, including area code)

Indicate by check mark whether Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No___

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes___ No

The aggregate number of shares outstanding of Registrant s common stock, $.01 par value, on May 4, 2005 was 6,738,115.

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PART I - FINANCIAL INFORMATION

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

American Safety Insurance Holdings, Ltd. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2004	Ma (U
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value	$286,057,489	$ 31
Common stock, at fair value	15,081,360	1
Investment in real estate, at cost	2,005,440	
Short-term investments	25,898,131	
Total investments	329,042,420	34
Cash and cash equivalents	24,843,736	2
Restricted cash	144,500	
Accrued investment income	3,308,463	
Premiums receivable	21,093,810	2
Ceded unearned premium	25,454,691	3
Reinsurance recoverable	145,524,068	14
Deferred income taxes	9,080,990	1
Deferred policy acquisition costs	11,559,188	1

Property, plant and equipment	3,900,473	
Other assets	10,207,637	
Total assets	$ 584,159,976	$60

	December 31, 2004	Ma (U
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 321,623,730	$ 33
Unearned premiums	93,798,378	10
Reinsurance on paid losses and loss adjustment expenses	6,486,149	
Ceded premiums payable	11,852,028	1
Escrow deposits	144,500	
Accounts payable and accrued expenses	15,370,443	1
Loan payable	13,019,489	1
Securities payable	-	
Funds held	8,334,794	
Minority interest	4,750,782	
Total liabilities	475,380,293	50
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, 2004, 6,781,721 and March 31, 2005, 6,798,255 shares	67,817	
Additional paid-in capital	51,067,506	5
Retained earnings	55,800,942	5
Accumulated other comprehensive income, net	1,843,418	(
Total shareholders' equity	108,779,683	10
Total liabilities and shareholders' equity	$ 584,159,976	$60

See accompanying notes to consolidated financial statements (unaudited).

American Safety Insurance Holdings, Ltd. and Subsidiaries

Consolidated Statements of Earnings
(unaudited)

	Three Months Ended March 31,	
	2004	2005
Revenues:		

Direct premiums earned	$53,972,080	$ 55,245,400
Assumed premiums earned	1,452,353	6,662
Ceded premiums earned	(21,305,696)	(20,631,451)
Net premiums earned	34,118,737	34,620,611
Net investment income	2,071,112	3,156,381
Net realized gains	25,411	52,232
Real estate income	13,952,154	2,309,000
Other income	31,113	1,949
Total revenues	50,198,527	40,140,173
Expenses:		
Losses and loss adjustment expenses	22,359,442	20,781,044
Acquisition expenses	6,610,218	7,126,379
Payroll and related expenses	2,623,376	2,966,986
Real estate expenses	11,493,835	2,264,529
Other expenses	2,096,542	2,505,319
Minority interest	174,111	587,898
Expense due to rescission	29,574	10,868
Total expenses	45,387,098	36,243,023
Earnings before income taxes	4,811,429	3,897,150
Income taxes	1,161,610	250,807
Net earnings	$ 3,649,819	$ 3,646,343
Net earnings per share:		
Basic	$ 0.53	$ 0.54
Diluted	$ 0.49	$ 0.50
Average number of shares outstanding		
Basic	6,916,099	6,791,476
Diluted	7,408,663	7,265,523

See accompanying notes to consolidated financial statements (unaudited).

American Safety Insurance Holdings, Ltd. and Subsidiaries

Consolidated Statements of Cash Flow

(unaudited)

	Three Month March 3
	2004
Cash flow from operating activities:	
Net earnings	$3,649,819
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Realized gains on investments	(25,411)
Depreciation expense	210,703
Amortization of deferred acquisition costs, net	(105,645)

Amortization of premium	436,860
Change in:	
Accrued investment and interest income	(21,291)
Premiums receivable	(787,796)
Reinsurance recoverable, payable and ceded unearned premiums	(7,231,541)
Funds held	(92,045)
Deferred income taxes	(525,481)
Unpaid losses and loss adjustment expenses	20,004,316
Unearned premiums	3,930,026
Ceded premiums payable	7,223,722
Accounts payable and accrued expenses	(4,264,202)
Deferred revenue	(18,027)
Other, net	216,999
Net cash provided by operating activities	22,601,006
Cash flow from investing activities:	
Purchases of fixed maturities	(11,855,739)
Purchases of equity securities	(2,572,107)
Proceeds from sale of fixed maturities	5,904,931
Proceeds from sale of equity investments	79,606
Decrease (increase) in short-term investments	(19,936,030)
Decrease notes receivable	1,435,000
Decrease in real estate investment	5,576,910
Purchase of fixed assets, net	(563,410)
Net cash used in investing activities	(21,930,839)
Cash flow from financing activities:	
Proceeds from issuance of common stock	72,220
Repayment of loan payable	(665,076)
Repayment of escrow deposits	(1,281,160)
Withdrawals of restricted cash	61,858
Net cash used in financing activities	(1,812,158)
Net increase in cash and cash equivalents	(1,141,991)
Cash and cash equivalents at beginning of period	32,153,379
Cash and cash equivalents at end of period	$31,011,388
Supplemental disclosure of cash flow information:	
Income taxes paid	$ 1,228,270
Interest paid	$ 340,213

See accompanying notes to consolidated financial statements (unaudited).

American Safety Insurance Holdings, Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Earnings
(unaudited)

	Three Months Ended March 31, 2004	2005
Net earnings	$ 3,649,819	$ 3,646,343
Other comprehensive earnings before income taxes:		
Unrealized gains (losses) on securities available-for-sale, net of minority interest of		

$90,279 and $(212,671) for 2004 and 2005, respectively	3,242,572	(4,660,086)
Unrealized gains (losses) on hedging transaction	(288,803)	280,785
Reclassification adjustment for realized gains included in net earnings	(25,411)	(52,232)
Total other comprehensive earnings (loss) before taxes	2,928,358	(4,431,533)
Income tax expense (benefit) related to items of other comprehensive income, net of minority interest of $0 and $(1,363) for March 31, 2004 and 2005 respectively.	645,498	(931,758)
Other comprehensive earnings (loss) net of income taxes	2,282,860	(3,499,775)
Total comprehensive earnings	$5,932,679	$ 146,568

See accompanying notes to consolidated financial statements (unaudited).

American Safety Insurance Holdings, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2005

(unaudited)

Note 1 Basis of Presentation

The accompanying unaudited interim consolidated financial statements of American Safety Insurance Holdings, Ltd. (American Safety), its subsidiaries and American Safety Risk Retention Group, Inc. (American Safety RRG), a non-subsidiary risk retention group affiliate (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 the Company 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 ended March 31, 2005 may not be indicative of the results that may be expected for the fiscal year ending December 31, 2005. 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 on Form 10-K of American Safety and its subsidiaries for the fiscal year ended December 31, 2004.

The unaudited interim consolidated financial statements include the accounts of American Safety, each of its subsidiaries and American Safety RRG. All significant intercompany balances have been eliminated. Certain items from prior periods have been reclassified to conform to the 2005 presentation.

Note 2 Accounting Pronouncements

During the last two years, the Financial Accounting Standard Board (FASB) has issued a number of accounting pronouncements with various effective dates.

In December 2002, FASB Statement No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. This pronouncement does not have a material effect on our financial statements.

In December 2004, the FASB issued a revised version of SFAS 123, SFAS 123 (R) which finalizes the accounting for stock options. The Company plans to adopt SFAS 123 (R) in the first quarter of 2006 and does not expect the adoption to have a material effect on earnings.

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 Company 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 as well as 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.

Potential Risk of United States Taxation of Bermuda Operations. Under current Bermuda law, American Safety is not required to pay any taxes in Bermuda on either income or capital gains. American Safety has received an undertaking from the Minister of Finance in Bermuda that will exempt American Safety from taxation until the year 2016 in the event of any such taxes being imposed. The Company, 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. The Company s U.S. 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 will maintain and continue to maintain an office in Bermuda and American Safety 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.

However, because the Internal Revenue Code of 1986, as amended, 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 or its Bermuda insurance subsidiary are engaged in a United States trade or business. In general, if American Safety 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 the Company or secured notes receivable will default or that other parties, including reinsurers that have obligations to the insurer, may not pay or perform. The Company 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 may change and cause a decrease in the value of an insurer s investments. The Company attempts to mitigate this risk by attempting to match the maturities of its assets with the expected payouts of its liabilities.

The Company s fixed maturity holdings are invested predominantly in high quality corporate, government and municipal bonds with relatively short durations. The fixed maturity portfolio is exposed to interest rate fluctuations; as interest rates rise, their fair values decline and as interest rates fall, their fair values rise. The changes in the fair market value of the fixed maturity portfolio are presented as a component of shareholders equity in accumulated other comprehensive income, net of taxes.

We work to manage the impact of interest rate fluctuations on our fixed maturity portfolio. The effective duration of the fixed maturity portfolio is managed with consideration given to the estimated payout timing of our liabilities. We have investment policies which limit the maximum duration and maturity of individual securities within the portfolio and set target levels for average duration and maturity of the entire portfolio.

Note 4 Investments

The amortized cost and estimated fair values of the Company s investments at December 31, 2004 and March 31, 2005 are as follows:

	Amortized Cost	Gross unrealized gains	Gross unrealized losses
December 31, 2004:			
Securities available for sale:			
Fixed maturities:			
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$65,887,315	$800,811	$ 467,383
States of the U.S. and political subdivisions of the states	31,067,197	425,269	168,348
Corporate securities	90,742,305	1,618,821	650,822
Mortgage-backed securities	97,243,632	306,453	747,761
Total fixed maturities	$ 284,940,449	$ 3,151,354	$ 2,034,314
Common Stock	$ 14,001,929	$ 1,455,131	$ 375,700
March 31, 2005:			
Securities available for sale:			
Fixed maturities:			
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$67,559,999	$500,586	$ 1,074,052
States of the U.S. and political subdivisions of the states	37,349,894	144,999	464,457
Corporate securities	96,351,260	766,529	1,415,602
Mortgage-backed securities	115,150,144	120,292	1,866,565
Total fixed maturities	$ 316,411,297	$ 1,532,406	$ 4,820,676
Common stock	$ 18,034,833	$ 1,240,149	$ 680,396

Note 5 Segment Information

The Company 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, Excess and Surplus Lines (E&S) and Program Business.

Real estate consists of the Harbour Village project in Ponce Inlet, Florida, as discussed in Note 6. In our Insurance Operations segment, Environmental writes insurance coverages for the environmental remediation industry. E&S 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.

The Company measures the Real Estate and Insurance Operations segments using net earnings, total assets and total equity. The reportable Insurance Operations segments are measured by multiple premium indicators, 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 three months ended March 31, 2004 and March 31, 2005 (in thousands):

March 31, 2004	Real Estate			Insurance			
		Environmental	E&S		Programs	Other	
Gross premiums written	-	$9,159	$27,897		$21,248	$1,050	
Net premiums written	-	7,072	23,787		3,074	624	
Net premiums earned	-	6,916	19,841		4,698	2,664	
Losses and loss adjustment expenses	-	2,864	13,235		3,053	3,207	
Acquisition expenses	-	1,806	4,272		152	380	
Underwriting profit (loss)	-	$2,246	$2,334		$1,493	$(923)	
Income tax expense (benefit)	$ 937			$ 228			$
Net earnings (loss)	1,521			2,111			
Assets	46,515			511,417			
Equity	13,598			87,901			

March 31, 2005	Real Estate			Insurance			O
		Environmental	E&S		Programs	Other	
Gross premiums written	-	$13,594	$27,053		$23,060	$504	
Net premiums written	-	10,967	22,185		3,403	215	
Net premiums earned	-	8,745	21,104		4,398	374	
Losses and loss adjustment expenses	-	4,809	12,888		2,453	631	
Acquisition expenses	-	2,393	4,546		140	47	
Underwriting profit (loss)	-	$1,543	$3,670		$1,805	$(304)	
Income tax expense (benefit)	$ 16			$ 222			
Net earnings (loss)	28			3,604			
Assets	3,439			605,940			
Equity	2,575			106,585			

The Company conducts business in the following geographic segments: the 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, and solvency monitoring, pricing and corporate taxation, among other things. The following provides key measurable information about the geographic segments for the three months ended March 31, 2004 and March 31, 2005 (in thousands):

March 31, 2004	United States	Bermuda	Total
Income tax	$ 1,162	$ -	$ 1,162
Net earnings	2,079	1,571	3,650
Assets	452,998	105,163	558,161
Equity	$ 53,786	$ 47,562	$ 101,348

March 31, 2005	United States	Bermuda	Total
Income tax	$ 251	$ -	$ 251
Net earnings	1,593	2,053	3,646
Assets	471,346	138,036	609,382
Equity	$ 55,927	$ 53,134	$ 109,061

Note 6 Investment in Real Estate

The Company s investment in the development of the Harbour Village Golf and Yacht Club (Harbour Village) project is comprised of 173 acres of property in Ponce Inlet, Florida that was acquired through foreclosure on April 13, 1999. At the date of foreclosure, the Company 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.

As of December 31, 2004 and March 31, 2005, the investment in real estate for the Harbour Village project is as follows (in thousands):

	December 31, 2004	March 31, 2005
Land	$ 79	$ 19
Capitalized overhead, interest and taxes	116	28
Work in process	1,810	444
Total	$2,005	$ 491

During the quarter ended March 31, 2005, the Company closed 6 condominium units and no boat slips at Harbour Village, and during the quarter ended March 31, 2004, the Company closed 36 condominium units and 1 boat slip. The Company recognizes revenue when title to each individual unit or boat slip passes to the purchaser. When title passes, the Company 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. At the end of March 31, 2005 the Harbour Village project was substantially complete and the Company had only two units left to close. These two units are expected to close in the second quarter of 2005.

Note 7 Income Taxes

Total income tax expense for the periods ended March 31, 2004 and 2005, were allocated as follows:

	Three Months Ended March 31,	
	2004	2005
Tax expense benefit) attributable to Income from continuing operations	$ 1,161,610	$ 250,807
Change in unrealized gains (losses) on hedging transactions	(98,193)	95,467
Change in unrealized gains (losses) on available for sale securities	743,691	(1,028,588)
Total	$ 1,807,108	$ (682,314)

U.S. Federal and state income tax expense (benefit) from continuing operations consists of the following components:

	Current	Deferred	Total
Three Months Ended			
March 31, 2004	$1,583,029	$(421,419)	$1,161,610
March 31, 2005	$ 574,926	$(324,119)	$ 250,807

The state income tax expense (benefit) aggregated $174,659 and $42,226 for the three months ended March 31, 2004 and 2005, respectively and is included in the current provision.

Income tax expense (benefit) for the periods ended March 31, 2004 and 2005 differed from the amount computed by applying the U.S. Federal income tax rate of 34% to earnings before Federal income taxes as a result of the following:

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
Expected income tax expense	$1,635,886	$1,325,031
Foreign earned income not subject to U.S. taxation	(534,464)	(698,292)
Valuation allowance	-	(554,515)
State taxes and other	60,188	178,583
	$1,161,610	$ 250,807

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, 2004	
Deferred tax assets:		
Loss reserve discounting	$7,565,625	$
Unearned premium reserves	3,145,646	
Unrealized loss on securities	-	
Difference between tax and GAAP basis of Harbour Village project.	366,348	
Difference between tax and GAAP method at Harbour Village project	146,738	
Warranty reserve	282,556	
NOL Carryforward	88,443	
Other	611,443	
Gross deferred tax assets	12,206,799	
Valuation allowance	(554,515)	
Gross deferred tax assets after valuation allowance	11,652,284	
Deferred tax liabilities:		
Deferred acquisition costs	2,033,536	
Unrealized gains on securities	288,062	
Other	249,696	
Gross Deferred tax liabilities	2,571,294	
Net deferred tax asset	$9,080,990	
Deferred tax liabilities:		

We believe it is more likely than not that we will realize the full benefit of our deferred tax assets described herein; therefore, a valuation allowance has not been established against these assets. However, given the historical loss position of American Safety RRG, it previously established a 100% valuation allowance on its deferred tax assets totaling $554,515 at December 31, 2004. In the first quarter of 2005, RRG included as a reduction to income tax expense this valuation allowance as RRG s judgment about the realizability of the deferred tax assets changed due to RRG s profitability. This reduction in income tax expense was offset by an increase in minority interest expense and had no overall effect on the earnings or shareholders equity of the Company.

Note 8 Goodwill and Intangibles

Goodwill and indefinite-lived intangible assets are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have an indefinite life are to be amortized over their useful lives (but with no maximum life). The recorded indefinite-lived intangibles at December 31, 2004 and March 31, 2005 were $1,467,000.

In accordance with the disclosure requirements of SFAS No. 142 there were no effects of goodwill on the net earnings for the three months ended March 31, 2004 and 2005.

Note 9 Employee Stock Options

The Company 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 the plan have an exercise price equal to the market value of the underlying common stock on the date of grant. The majority of the options in the plan vest 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 March 31,	
	2004	2005
	(In thousands, except per share amounts)	
Net earnings:		
As reported	$ 3,650	$ 3,646
Effect of stock options	(209)	(487)
Pro forma net earnings	$ 3,441	$ 3,159
Net earnings per share		
Basic as reported	$ 0.53	$ 0.54
Basic - pro forma	$ 0.50	$ 0.47
Diluted - as reported	$ 0.49	$ 0.50
Diluted - pro forma	$ 0.46	$ 0.43

Note10 Loans Payable

Trust Preferred Offerings

In 2003 American Safety Capital and American Safety Capital II, both non-consolidated, wholly-owned subsidiaries of the Company, issued $8 million and $5 million, respectively, of variable rate 30-year trust preferred securities. The proceeds are being used to support the growth of the Company s insurance business, to repay short term debt and for general corporate purposes. The securities require interest payments on a quarterly basis calculated at a floating rate of LIBOR + 4.2% and LIBOR + 3.95% for American Safety Capital and American Safety Capital II, respectively. The securities can be redeemed by the Company commencing in five years from date of issue.

The underlying debt obligations between the Company and American Safety Capital and American Safety Capital II expose the Company to variability in interest payments due to changes in interest rates. Management entered into an interest rate swap for each trust preferred offering to manage that variability. Under each interest rate swap, the Company receives variable interest payments and makes fixed interest rate payments to the applicable capital trust entity, thereby creating fixed rate long-term debt. The overall effective fixed rate expense as a result of this hedge is 7.1% and 7.6% for American Safety Capital and American Safety Capital II, respectively, over the first five years of the obligation.

Interest expense for the three months ended March 31, 2004 and March 31, 2005 includes no gains or losses from the interest rate swaps. Changes in fair value of the interest rate swaps designated as hedging instruments of the variability of cash flow associated with a floating rate, long-term debt obligation is reported in accumulated other comprehensive income. The gross unrealized gains and (losses) on the interest rate swaps at December 31, 2004 and March 31, 2005 were $192,589 and $339,015 for American Safety Capital Trust and $14,724 and $119,635 for American Safety Capital Trust II, respectively. The interest rate swaps are 100% effective at March 31, 2005.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

The information in the following discussion should be read in conjunction with the Company s consolidated financial statements and notes thereto included elsewhere in this report. All amounts and percentages are rounded.

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 ended March 31, 2005 were $3.6 million, or $0.50 per diluted share, compared to $3.6 million, or $0.49 per diluted share, for the same period of 2004. The Company s net earnings are detailed as follows:

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

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.

The following table sets forth the Company s consolidated revenues (in thousands):

	Quarter Ended March 31,		
	2004	2005	2004 to 2005
Net premiums written:			
Environmental	$ 7,072	$ 10,967	55.1%
Excess and Surplus	23,787	22,185	(6.7)
Programs	3,074	3,403	10.7
Other	624	215	(65.5)
Total net premiums written	$34,557	$36,770	6.4%
Net premiums earned:			
Environmental	$ 6,916	$ 8,745	26.4%
Excess and Surplus	19,841	21,104	6.4

Programs	4,698	4,398	(6.4)
Other	2,664	374	(86.0)
Total net premiums earned	34,119	34,621	1.5
Net investment income	2,071	3,156	52.4
Net realized gains	25	52	108.0
Real estate income	13,952	2,309	(83.5)
Other income	32	2	(93.8)
Total Revenues	$50,199	$40,140	(20.0)%

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

	Quarter ended March 31,	
	2004	2005
Insurance operations		
Loss & loss adjustment expense ratio	65.5%	60.0%
Expense ratio	32.3	34.5
Combined ratio	97.8%	94.5%

Net Premiums Earned

Environmental. Net earned premiums increased to $8.7 million for the first three months of 2005 as compared to $6.9 million for the same period of 2004. Net written premiums increased to $10.9 million for the first three months of 2005 as compared to $7.1 million for the same period of 2004. While the Company expects growth in 2005, the growth experienced in the first quarter is not indicative of what is anticipated for the year. Most of the growth in this segment for the first quarter was attributable to increased production in the Company s Prostar online rating and quoting system, in addition to premium production in the Company s regional office in Denver, Colorado. The Company has experienced a slight decline in premium rates over 2004 due to increased competition and the overall change in pricing conditions in the market place. Despite the changing market conditions, the Company is comfortable with its plan to grow this segment.

Excess and Surplus. Net earned premiums increased to $21.1 million for the first three months of 2005 as compared to $19.8 million for the same period of 2004. Net written premiums decreased to $22.2 million for the first three months of 2005 as compared to $23.8 million for the same period of 2004. Thus far in 2005, premium rates have leveled and in some cases have declined due to less business being shifted out of the standard markets and a softening of pricing in the market place. This change in market conditions has resulted in a reduction in the volume of new business and renewal rates from 2004 levels. Despite the changing market, the Company has maintained its disciplined underwriting approach and consistent policy terms and conditions. Construction risks make up a majority of the book of business written by this segment and the insurance market for residential construction risks continue to be one of the hardest market segments. The Company believes this segment of the market offers some modest growth opportunities. The Company s objective is to maintain its underwriting and pricing discipline and continue to monitor pricing conditions on an individual risk basis.

Programs. Net earned premiums decreased to $4.4 million for the first three months of 2005 as compared to $4.7 million for the same period of 2004. Net written premiums increased to $3.4 million for the first three months of 2005 as compared to $3.1 million for the same period of 2004. Net written premiums increased due to the addition of three new programs in the second half of 2004 and the continued growth in the Company s pest control program. Net earned premiums decreased due to a decrease in the Company s commercial auto liability program and lawyers liability program offset by an increase in the pest control program and the addition of the three new programs. It is not unusual for the Company to experience premium variances due to seasonal fluctuations on individual programs and the time it takes a program to become fully operational, coupled with the run-off of expiring programs. The Company continued its growth of fully funded polices in 2005, where the Company acts as the policy issuing carrier and the insured collateralizes the policy aggregate limit. Fee income earned in the first three months of 2005 was $160,000 as compared to $30,000 for the same period of 2004. The Company foresees combined growth opportunities for this product in the health care, residential construction and product manufacturing areas.

Other. Net earned premiums decreased to $0.3 million for the first three months of 2005 as compared to $2.7 million for the same period of 2004. Net written premiums decreased to $0.2 million for the first three months of 2005 as compared to $0.6 million for the same period of 2004. Net earned and net written premiums decreased as the Company s assumed liability program and workers´ compensation business were put in run-off in 2004. This decrease was coupled with an increase in the Company s surety business. The surety business grew as it was offered as a supporting product line to the environmental segment.

Net Investment Income

Net investment income increased to $3.2 million for the first three months of 2005 as compared to $2.1 million for the same period of 2004 due to higher levels of invested assets generated primarily by positive cash flows from operations and an increased investment yield. Average invested assets increased to $333.5 million for the first three months of 2005 as compared to $244.4 million for the same period of 2004. The pre-tax and after tax yields were 3.8% and 3.1% compared to 3.4% and 2.7% for the first three months of 2005 and 2004, respectively. The increase in yield is consistent with the overall market rate increases.

Net Realized Gains

Net realized gains increased to $52,000 for the first three months of 2005 as compared to $25,000 for the same period of 2004. Sales of investments are generally the result of implementing investment strategies to maximize investment income.

Real Estate Income

Real estate revenue decreased to $2.3 million for the first three months of 2005 as compared to $14.0 million for the same period of 2004 due to decreased closings of units. During the quarter the Company closed 6 units compared to 36 units in the same period ended in 2004. At the end of 2004 the Harbour Village project was substantially complete as most units are sold and closed. The Company does not expect to engage in any further real estate activities in the future. The earnings and funds generated from Harbour Village are being redeployed into the Company s insurance operations.

Loss and Loss Adjustment Expense Ratio

The Company s loss ratio decreased by 5.5 percentage to 60.0% for the first three month of 2005 as compared 65.5 % for the same period of 2004. The decrease was attributable to the Company experiencing no adverse loss development for the first three months of 2005 compared to $2.8 million in adverse loss development for the same period of 2004.

Acquisition Expenses

Acquisition expenses are amounts that are paid to agents and brokers for the production of premium for the Company offset in part by the ceding commissions we retain from our reinsurers. For our program business, fees are typically earned through ceding commissions and have the effect of lowering our acquisition expenses. Acquisition expenses also include amounts paid for premium taxes to the states where we do business on an admitted basis. Acquisition expenses were $7.1 million for the first three months of 2005 as compared to $6.6 million for the same period of 2004. Acquisition expenses as a function of net earned premiums were 20% at March 31, 2005, and 19% at March 31, 2004.

Real Estate Expenses

Real estate expenses decreased to $2.3 million for the first three months of 2005 as compared to $11.5 million for the same period of 2004 due to decreased closings of units. During the quarter the Company closed 6 units compared to 36 units in the same period ended in 2004.

Minority Interest Expense

Minority interest expense is associated with our non-subsidiary affiliate, American Safety RRG. In the past, given the historical loss position of American Safety RRG, a valuation allowance on it net deferred tax assets had been established. In the first quarter of 2005, RRG included in income the reduction of this valuation allowance (totaling $554,515) as RRG s judgment about the realizability of its deferred tax assets changed due to RRG s profitability. As a result minority interest for the first three months of 2005 increased to $588,000 as compared to $174,000 for the same period of 2004.

Payroll and Other Expenses

Payroll and other expenses were $5.5 million for the first three months of 2005 as compared to $4.7 million for the same period of 2004. The change is primarily due to an increase in staff count, and expenses associated with the Sarbanes-Oxley implementation.

Income taxes

The effective tax rate excluding the effects of RRG described above were 18% for the first three months of 2005 as compared to 21% for the same period of 2004. The decrease in effective tax rate was due to a decrease in real estate earnings.

Operations by Geographic Segment

Net Income. Net income from the Company s Bermuda operations increased to $2.1 million for the first three months of 2005 as compared to $1.6 million for the same period of 2004. This increase is primarily from an increase in assumed business from the Company s U.S insurance companies. Net income from U.S. operations decreased to $1.6 million for the first thee months of 2005 as compared to $2.1 million for the same period of 2004. This decrease is due to a decrease in real estate income as the Harbour Village project was substantially complete at the end of 2004.

Liquidity and Capital Resources

The Company meets its cash requirements and finances its growth principally through cash flows generated from operations. Since 2000 the Company has operated in a hardening market with increased insurance premium rates for general liability coverages and increased fees for program business opportunities. During 2004, the Company began to experience a leveling of premium rates due to entrance of new insurance competitors and overall market conditions. The Company s primary sources of short-term cash flow are premium writings and investment income. Short-term cash requirements relate to claims payments, reinsurance premiums, commissions, salaries, employee benefits, real estate development expenses, and other operating expenses. Due to the uncertainty regarding the timing and amount of settlements of unpaid claims, the Company s future liquidity requirements may vary; therefore, the Company has structured its investment portfolio maturities to allow for variations in those factors. The Company believes its current cash flows are sufficient for the short-term needs of its business and its invested assets are sufficient for the long-term needs of its insurance business.

Net cash provided from operations was $17.8 million for the quarter ended March 31, 2005, and $23.0 million for the quarter ended March 31, 2004. This decrease was caused by increased loss payments, which increased to $11.7 million from $6.2 million in the same period of 2004.

The estimated completion cost for the remainder of Harbour Village is approximately $1.6 million and represents amounts needed to construct a beach club. Management believes that cash on hand will meet the remaining liquidity needs of Harbour Village.

The Company s ability to pay future dividends to shareholders will depend, to a significant degree, on the ability of its subsidiaries to generate earnings from which to pay dividends. The jurisdictions in which the Company and its insurance and reinsurance subsidiaries are domiciled place limitations on the amount of dividends or other distributions payable by insurance companies in order to protect the solvency of insurers. Given the Company s growth and the capital requirements associated with that growth, the Company does not anticipate paying dividends on the common shares in the near future.

Income Taxes

American Safety is incorporated under the laws of Bermuda and, under current Bermuda law, is not obligated to pay any taxes in Bermuda based upon income or capital gains. American Safety has received an undertaking from the Minister of Finance in Bermuda pursuant to the provisions of The Exempted Undertakings Tax Protection Act 1966, which exempts American Safety and its shareholders, other than shareholders ordinarily resident in Bermuda, from any Bermuda taxes computed on profits, income or any capital asset, gain or appreciation, or any tax in the nature of estate, duty or inheritance until March 28, 2016. The Company, 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. The Company s U.S. subsidiaries are subject to taxation in the United States.

Impact of Inflation

Property and casualty insurance premiums are established before the amounts of losses and loss adjustment expenses are known and therefore before the extent by which inflation may affect such expenses is known. Consequently, the Company attempts, in establishing its premiums, to anticipate the potential impact of inflation. However, for competitive and regulatory reasons, the Company may be limited in raising its premiums consistent with anticipated inflation, in which event the Company, rather than its insureds, would absorb inflation costs. Inflation also affects the rate of investment return on the Company s investment portfolio with a corresponding effect on the Company s investment income.

Combined Ratio

The combined ratio of an insurance company measures only the underwriting results of insurance operations and not the profitability of the overall company. Our reported combined ratio for our insurance operations may not provide an accurate indication of our overall profitability for instance, depending on our mix of business, the combined ratio may fluctuate from time to time and may not reflect the overall profitability of our insurance operations.

Reserves

Certain of our insurance policies and reinsurance assumed, including general and pollution liability policies covering environmental remediation, excess and surplus, and workers compensation risks, may be subject to claims brought years after an incident has occurred or the policy period has ended. We are required to maintain reserves to cover the unpaid portion of our ultimate liability for losses and loss adjustment expenses with respect to (i)reported claims and (ii)incurred but not reported claims. A full actuarial analysis is performed to provide this estimate of all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements. In evaluating whether the reserves make a reasonable provision for unpaid loss and loss adjustment expense, it is necessary to project future loss and loss adjustment expense payments. It is certain that the actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. If, the net loss reserves were to increase by 5% this would reduce pre-tax income by $9.7 million. If, the net loss reserves were to decrease by 5% this would increase pre-tax income by $9.7 million.

With respect to reported claims, case reserves are established on a case-by-case basis. The reserve amounts on each reported claim are determined by taking into account the circumstances surrounding each claim and policy provisions relating to the type of loss. Loss reserves are reviewed on a regular basis, and as new information becomes available, appropriate adjustments are made to reserves.

In establishing product line IBNR reserves, several methods are employed in determining ultimate losses: the expected loss ratio method; the Bornhuetter-Ferguson method based on expected loss ratios, paid losses and reported losses; and the loss development method based on paid and reported losses. The first method uses industry expected losses adjusted for our experience while the last method relies on industry payment and reporting patterns to develop our actual losses. The Bornhuetter-Ferguson method is a combination of the other two methods, using expected loss ratios to produce expected losses, then applying loss payment and reporting patterns to the expected losses to produce the expected IBNR. We review the ultimate projections from all three methods and, based on the merits of each method, determine our estimated ultimate losses.

However, the establishment of appropriate loss reserves is an inherently uncertain process, and there can be no assurance that such ultimate payments will not materially exceed our reserves.

Forward Looking Statements

This report contains forward-looking statements within the meaning of United States securities laws that are intended to be covered by the safe harbors created thereby. Such statements reflect the Company s current views with respect to future events and financial performance, including insurance market conditions, future insurance claims and losses, and completion and profitability of the Harbour Village real estate project, as presented in the Company s consolidated financial statements. In addition, all statements, other than statements of historical facts, included or incorporated by reference in this report that address activities, events or developments that the Company expects or anticipates will or may occur in the future constitute forward-looking statements.

Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially, and are subject to change based on various insurance industry factors, including, without limitation, 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 receivables, market acceptance of new coverages and enhancements, changes in reinsurance costs and availability, potential adverse decisions in litigation and arbitration proceedings (including the outcome of the Principal Management acquisition rescission litigation), and changes in levels of general business activity and economic conditions. With respect to the development of the Harbour Village project, 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 risks inherent in real estate development and new construction, and litigation.

Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could over time prove to be inaccurate and therefore, there can be no assurance that the forward-looking statements included in this Report will themselves prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. The Company expressly disclaims any obligation to update any forward-looking statements except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

The Company s market risk has not changed materially since December 31, 2004.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company s disclosure controls and procedures (as defined in the Securities Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report, concluded that, as of such date, the Company s disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company (including consolidated subsidiaries) would be made known to them.

Changes in Internal Control

There were no changes in the Company s internal control over financial reporting identified in connection with the evaluation described above that occurred during the Company s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company, through its subsidiaries, is routinely a party to pending or threatened litigation or arbitration disputes in the normal course of or related to its business. Based upon information presently available, in view of legal and other defenses available to the Company s subsidiaries, management does not believe that any pending or threatened litigation or arbitration disputes will have any material adverse effect on the Company s financial condition or operating results, except for the following matters.

Acquisition Rescission Litigation. In April 2000, we filed a lawsuit in the U.S. District Court for the Northern District of Georgia for damages and, alternatively, to rescind the stock purchase of a Michigan insurance agency and two related insurance companies specializing in insurance program business based upon the seller s breach of the representations and warranties made in the definitive agreements concerning the business affairs and financial condition of the acquired companies. The defendants filed several motions for summary judgment opposing our claims. In September 2002, the Court entered an order granting the defendant s motions for summary judgment. However, the Court did not rule that the representations and warranties of the defendant in the definitive agreements were correct. The Court also granted our motions on various counterclaims. We filed a motion for reconsideration with respect to the Court s order which the Court denied in November 2002. In August 2003, we filed a motion requesting the Court certify its previous order granting the defendant s motion for summary judgment as final so that we could appeal the adverse rulings, however the Court denied our motion in December 2003. In 2004 the Company accrued $1.4 million of additional expense as a result of an adverse ruling in March 2005. It is anticipated that the remaining issues (i.e. disposition of escrowed shares and defendant s claim for attorney s fees) in the case will be determined by the Court, without a trial, in 2005. Thereafter, we will have the right to appeal all adverse prior rulings in the case.

Assumed Reinsurance Litigation. The Company is a defendant in four lawsuits arising from certain reinsurance agreements, for the years 2002 and 2003, with an automobile warranty insurer which is now in liquidation. The insurer provided coverage to dealerships and other providers who sold extended automobile warranty contracts to consumer purchasers. In these lawsuits, the consumer purchasers and automobile dealers have alleged various theories of liability against the Company. The Company believes it has several valid defenses and intends to vigorously contest these lawsuits.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibit No.	Description
11	Computation of Earnings Per Share
31.1	Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registra
this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 13th

American Safety Insurance Holdings, Ltd.

By: /s/ Stephen R. Crim
Stephen R. Crim
President and Chief Executive Officer

By: /s/ Steven B. Mathis
Steven B. Mathis
Chief Financial Officer
(Principal Financial Officer)

Exhibit 11

American Safety Insurance Holdings, Ltd. and subsidiaries
Computation of Earnings Per Share

	Three Months Ended	
	March 31, 2004	March 31, 2005
Basic:		
Earnings available to common shareholders........................	$3,649,819	$3,646,343
Weighted average common shares outstanding.........................	6,916,099	6,791,476
Basic earnings per common shares ...	$ 0.53	$ 0.54
Diluted:		
Earnings available to common shareholders..........................	$ 3,649,819	$ 3,646,343
Weighted average common shares outstanding...........................	6,916,099	6,791,476
Weighted average common shares equivalents associated with options....	492,564	474,047
Total weighted average common shares................................	7,408,663	7,265,523
Diluted earnings per common shares.............................	$ 0.49	$ 0.50

Exhibit 31

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, Stephen R. Crim certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Safety Insurance Hol

2. Based on my knowledge, this Report does not contain any untrue statement of a ma

omit to state a material fact necessary to make the statements made, in circumstances under which such statements were made, not misleading with respect covered by this report;

3. Based on my knowledge, the financial statements, and other financial informatio this report, fairly present in all material respects the financial conditio operations and cash flows of the registrant as of, and for, the periods pres report;

4. The registrant's other certifying officer(s) and I are responsible for est maintaining disclosure controls and procedures (as defined in Exchange Act Rules 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclo and procedures to be designed under our supervision, to ensure information relating to the registrant, including its consolidated sub made known to us by others within those entities, particularly during which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and presented in this Report our conclusions about the effectiveness of t controls and procedures, as of the end of the period covered by this r such evaluation; and

(c) Disclosed in this report any change in the registrant's internal financial reporting that occurred during the registrant's most recent (the registrant's fourth fiscal quarter in the case of an annual rep materially affected, or is reasonably likely to materially affect, th internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on o evaluation of internal control over financial reporting, to the registrant's au audit committee of registrant's board of directors (or persons performing t function):

(a) All significant deficiencies and material weaknesses in the design o internal control over financial reporting which are reasonably likel affect the registrant's ability to record, process, summarize and rep information; and

(b) Any fraud, whether or not material, that involves management or other have a significant role in the registrant's internal controls over financi

Date: May 13, 2005

/s/ Stephen R. Crim
Stephen R. Crim
Chief Executive Officer
American Safety Insurance

Exhibit 31.2

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, Steven B. Mathis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Safety Insurance

2. Based on my knowledge, this Report does not contain any untrue statement of omit to state a material fact necessary to make the statements made, circumstances under which such statements were made, not misleading with res covered by this report;

3. Based on my knowledge, the financial statements, and other financial inform this report, fairly present in all material respects the financial cond operations and cash flows of the registrant as of, and for, the periods report;

4. The registrant's other certifying officer(s) and I are responsible for maintaining disclosure controls and procedures (as defined in Exchange Act Ru 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such di and procedures to be designed under our supervision, to ensu information relating to the registrant, including its consolidated made known to us by others within those entities, particularly du which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls presented in this Report our conclusions about the effectiveness controls and procedures, as of the end of the period covered by th such evaluation; and

   (c) Disclosed in this report any change in the registrant's inter financial reporting that occurred during the registrant's most rec (the registrant's fourth fiscal quarter in the case of an annual materially affected, or is reasonably likely to materially affect, internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based evaluation of internal control over financial reporting, to the registrant's audit committee of registrant's board of directors (or persons performin function):

   (a) All significant deficiencies and material weaknesses in the desi internal control over financial reporting which are reasonably l affect the registrant's ability to record, process, summarize and information; and

   (b) Any fraud, whether or not material, that involves management or ot have a significant role in the registrant's internal controls over fin

Date: May 13, 2005

/s/ Steven B. Mathis
Steven B. Mathis
Chief Financial Officer
American Safety Insurance

Exhibit 32.1

Certification Pursuant to §906 of the Sarbanes-Oxley Act of 2002

The undersigned, as the Chief Executive Officer of American Safety Insurance Group,
that, to the best of his knowledge and belief, the Quarterly Report on Form 10-Q for the peri
2005, which accompanies this certification fully complies with the requirements of Sec
Securities Exchange Act of 1934 and the information contained in the periodic report fairly
material respects, the financial condition and results of operations of American Safety Insura
the dates and for the periods indicated. The foregoing certification is made pursuant
Sarbanes-Oxley Act of 2003 (18 U.S.C. §1350) and shall not be relied upon for any other purpose.

Date: May 13, 2005

/s/ Stephen R. Crim
Stephen R. Crim
Chief Executive Officer

A signed original of this written statement required by § 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by § 906, has been provided to American Safety Insurance Holdings, Ltd. and will be retained by American Safety Insurance Holdings, Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.

The information in this Exhibit 32.1 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

The undersigned, as the Chief Financial Officer of American Safety Insurance Group,
that, to the best of his knowledge and belief, the Quarterly Report on Form 10-Q for the peri
2005, which accompanies this certification fully complies with the requirements of Sec
Securities Exchange Act of 1934 and the information contained in the periodic report fairly
material respects, the financial condition and results of operations of American Safety Insura
the dates and for the periods indicated. The foregoing certification is made pursuant
Sarbanes-Oxley Act of 2003 (18 U.S.C. §1350) and shall not be relied upon for any other purpose.

Date: May 13, 2005

/s/ Steven B. Mathis
Steven B. Mathis
Chief Financial Officer

A signed original of this written statement required by § 906, or other documen
acknowledging, or otherwise adopting the signature that appears in typed form within the elec
this written statement required by § 906, has been provided to American Safety Insurance Holdin
be retained by American Safety Insurance Holdings, Ltd. and furnished to the Securities and Ex
or its staff upon request.

The information in this Exhibit 32.1 shall not be deemed "filed" for purposes of
Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference i
the Securities Act of 1933, except as shall be expressly set forth by specific reference in such