

AMERICAN SAFETY INSURANCE HOLDINGS LTD
Form DEF 14A
June 01, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

The Boyle Building, 2nd Floor

31 Queen Street

Hamilton HM 11, Bermuda

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Be Held July 23, 2012

The Annual General Meeting of Shareholders of American Safety Insurance Holdings, Ltd., will be held at The Fairmont Queen Elizabeth, Montreal, Canada on Monday, July 23, 2012, at 8:00 a.m. local time, for the following purposes:

1. To elect two Class II Directors to the Company's Board of Directors to serve for three year terms expiring at the 2015 Annual General Meeting of Shareholders;
2. To approve by a non-binding vote the Company's executive compensation (the Say-on-Pay Resolution);
3. To approve the material terms of the performance goals under the 2007 Incentive Stock Plan;
4. To approve the appointment of BDO USA, LLP as independent registered public accountants to serve until the conclusion of the next Annual General Meeting and to authorize the Audit Committee to set their remuneration; and
5. To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has set May 21, 2012, as the record date for the Annual General Meeting. Only shareholders of record at the close of business on the record date will be entitled to notice of, and to vote at, the Annual General Meeting (Record Holders).

The Board of Directors recommends that you vote in accordance with each of its recommendations regarding the proposals listed above as described in the attached proxy statement.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL GENERAL MEETING, PLEASE VOTE BY MARKING EACH PROPOSAL CLEARLY, THEN SIGNING AND MAILING THE PROXY TO THE COMPANY IN THE ACCOMPANYING ENVELOPE, WHICH REQUIRES NO POSTAGE. YOUR VOTE MAY NOT BE COUNTED IF YOUR COMPLETED PROXY HAS NOT BEEN RECEIVED AT THE ANNUAL GENERAL MEETING. YOUR COMPLETED PROXY MUST ARRIVE PRIOR TO THE MEETING OR ANY ADJOURNMENT OF THE MEETING. YOUR PROXY MAY BE REVOKED BY YOU, IF YOU CHOOSE. YOU MAY REVOKE YOUR PROXY BY (i) SUBMITTING IT TO THE SECRETARY AN HOUR BEFORE THE VOTE BEING TAKEN AT THE ANNUAL GENERAL MEETING, (ii) SUBMITTING A PROXY HAVING A LATER DATE, OR (iii) APPEARING AT THE ANNUAL GENERAL MEETING AND VOTING IN PERSON.

Edgar Filing: AMERICAN SAFETY INSURANCE HOLDINGS LTD - Form DEF 14A

By Order of the Board of Directors

Randolph L. Hutto, Secretary

June 1, 2012

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

PROXY STATEMENT

Annual General Meeting of Shareholders

To Be Held July 23, 2012

PROXY SOLICITATION AND VOTING

General

This Proxy Statement is being furnished in connection with the Board of Director s solicitation of proxies from the shareholders of American Safety Insurance Holdings, Ltd., for use at the Annual General Meeting of Shareholders.

The Company is a Bermuda-based specialty insurance and reinsurance underwriter with U.S. insurance and international reinsurance operations offering solutions for specialty risks. Through our United States operating subsidiaries and affiliates, we market and underwrite a variety of specialty insurance products to small and medium-sized businesses in the United States. Through our Bermuda operating subsidiaries, we offer reinsurance products primarily to U.S. and international insurance companies. We compete in three specialty divisions: excess and surplus lines (E&S) and alternative risk transfer (ART) in the U.S. and assumed reinsurance in Bermuda. We believe that our market and specialty product focus has allowed us to develop underwriting expertise in the markets that we serve. We utilize a solution oriented approach to underwriting while focusing on underwriting profitability. We believe that our underwriting expertise, flexible platform and customer orientation set us apart from our competitors. Our goal is to offer a broad base of specialty insurance and reinsurance products for which we can build scale and consistently produce underwriting profits. Unless otherwise indicated by the context, the term Company, or American Safety, ASI, we, or us shall refer to American Safety Insurance Holdings, Ltd., and its subsidiaries.

The enclosed proxy is for use at the Annual General Meeting if a shareholder is unable to attend in person, or wishes to have his or her shares voted by proxy even if he or she attends the Annual General Meeting. The person giving a proxy may revoke it by (i) providing notice to the Secretary of the Company at least an hour before the vote being taken, (ii) submitting a proxy having a later date, or (iii) appearing at the Annual General Meeting and voting in person. All shares represented by valid proxies received pursuant to this solicitation, and not revoked before their exercise, will be voted in the manner specified therein. If a shareholder returns a properly signed and dated proxy card but does not mark any choices on one or more items, his or her shares will be voted in accordance with the recommendations of the Board of Directors as to such items. The proxy card gives authority to the proxy holders to vote shares in their discretion on any other matter properly presented at the Annual General Meeting.

This Proxy Statement and the enclosed proxy card are first being mailed to the Company s shareholders on or about June 1, 2012.

Record Date and Outstanding Shares

The Board of Directors has set May 21, 2012, as the record date for the Annual General Meeting. Only shareholders of record at the close of business on the record date will be entitled to notice of and to vote at the Annual General Meeting. As of the record date, there were 10,256,555 common shares of the Company issued and outstanding.

Quorum and Voting Rights

A quorum for the transaction of business at the Annual General Meeting consists of the holders of at least one-third of the outstanding common shares of the Company entitled to vote at the Annual General Meeting present in person or represented by proxy. Each holder of common shares of the Company is entitled to one vote per share on each matter to come before the Annual General Meeting, other than any holder subject to the 9.5% voting limitation as set forth in the Company's Bye-Laws. The Company does not have cumulative voting.

Proxies submitted by brokers that do not indicate a vote because they do not have discretionary authority and have not received instructions as to how to vote on a proposal are so-called broker non-votes. Brokers holding shares must vote according to specific instructions they receive from the beneficial owners of those shares on most matters. If brokers do not receive specific instructions, brokers may, in some cases, vote the shares in their discretion. However, the New York Stock Exchange precludes brokers from exercising voting discretion on non-routine matters and on the election of directors without specific instructions from the beneficial owner. Proposals 1, 2 and 3 are not considered routine matters as to which brokers may vote in their discretion on behalf of clients who have not furnished voting instructions with respect to those matters. As a result, if you hold your shares in street name and do not provide your broker with voting instructions, your shares **will not** be voted at the Annual General Meeting with respect to the election of directors, the Company's Say-on-Pay proposal or the proposal to approve the material terms of the performance goals under the 2007 Incentive Stock Plan. The ratification of BDO USA LLP as our independent registered public accounting firm is considered a routine matter, and, therefore, brokers will have the discretion to vote on this matter even if they do not receive voting instructions from the beneficial owner of the shares.

With respect to Proposal 1 regarding the election of directors, assuming a quorum, the candidates receiving a majority of the votes cast by the Record Holders of the common stock will be elected directors. Abstentions and broker non-votes will have no effect on the outcome.

With respect to Proposal 2 regarding approval of the Say-on-Pay Resolution, approval of this proposal requires that a quorum be present and that the number of votes cast for the proposal exceeds the votes cast against it. The Company's Say-on-Pay vote is advisory in nature and the ultimate outcome of the vote is non-binding on the Company. Abstentions and broker non-votes will have no effect on the outcome.

With respect to Proposal 3 regarding approval of the material terms of the performance goals under the 2007 Incentive Stock Plan, assuming a quorum, approval of this proposal requires that the number of votes cast for the proposal exceeds the number of votes cast against it. Abstentions and broker non-votes will have no effect on the outcome.

With respect to Proposal 4 regarding approval of the 2012 independent registered public accounting firm, ratification of this appointment requires that a quorum be present and that the number of votes cast for the proposal exceeds the votes cast against it. Abstentions and broker non-votes will have no effect on the outcome.

Solicitation of Proxies

In addition to this solicitation by mail, the Officers and employees of the Company, without additional compensation, may solicit proxies in favor of the Proposals, if deemed appropriate, by personal contact, letter, telephone or other means of communication. Brokers, nominees and other custodians and fiduciaries will be requested to forward proxy solicitation material to the beneficial owners of the common shares of the Company where appropriate, and the Company will reimburse them for their reasonable expenses incurred in connection with such transmittals. The costs of solicitation of proxies for the Annual General Meeting will be borne by the Company.

Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting to Be Held on July 23, 2012:

In accordance with rules adopted by the United States Securities and Exchange Commission (SEC), the Company also is making this Proxy Statement and its Annual Report available to stockholders electronically via the Internet. To access this Proxy Statement and the Company's Annual Report on Form 10-K on the Internet, please visit www.asih.bm.

ELECTION OF DIRECTORS

(Proposal 1)

General

The members of the Board of Directors of the Company are elected by the shareholders. The Company's Bye-laws provide that the Board shall be made up of no more than fifteen Directors, the specific number of which shall be determined from time to time by the shareholders of the Company. The shareholders have determined by resolution that the number of directorships shall not be more than nine and our Board of Directors currently consists of seven Directors. The directorships of the Company are divided into three classes, with the members of each class serving three year terms, and the shareholders of the Company electing one class annually. Proxies cannot be voted for a greater number of persons than the number of the nominees named.

The Board of Directors has nominated two current Directors for re-election as Class II Directors of the Company to hold office and serve three year terms expiring at the 2015 Annual General Meeting. The terms of the other Directors of the Company who are not up for election will continue as set forth below. Each nominee has agreed to his nomination and to serve as a director, if elected. Unless authority is withheld by the shareholder, it is the intention of persons named by the Company as proxies on its proxy card to vote for the nominees listed. If for any reason any nominee should become unable or unwilling to accept nomination or election, persons voting the proxies will vote for the election of another nominee designated by the Board of Directors. Management of the Company has no reason to believe that any nominee will not serve, if elected.

Set forth below is information about each nominee for election as a director and each incumbent director whose term of office expires at the 2013 or 2014 Annual General Meeting, as the case may be. The ages indicated below are current as of the date hereof.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** PROPOSAL 1 TO RE-ELECT CODY W. BIRDWELL AND STEVEN L. GROOT AS CLASS II DIRECTORS.

NOMINEES FOR ELECTION AS CLASS II DIRECTORS, WHOSE TERMS, IF ELECTED, WILL EXPIRE IN 2015.

Cody W. Birdwell, age 59, has served as a Director of the Company since 1986. Mr. Birdwell has been the President of Houston Sunbelt Communities, L.C. in Houston, Texas, which is engaged in subdivision and mobile home community development and sales, since 1993. Mr. Birdwell's experience in the construction industry in which the Company traditionally has written significant insurance provides the Board with important insight into the developments and trends in this important industry.

Steven L. Groot, age 62, has served as a Director of the Company since 2006. Mr. Groot served in various positions at Allstate Insurance Company in Northbrook, Illinois from 1970 until his retirement in 2002, most recently as President of Direct Distribution and e-Commerce and as a member of its board of directors. Mr. Groot's many years of insurance industry experience provide the Board with invaluable experience related to our core business.

CONTINUING CLASS III DIRECTORS WHOSE TERMS WILL EXPIRE IN 2013

Harris R. Chorney, age 60, has been a Director of the Company since January 2009. Mr. Chorney is the founding principal of Holder & Wilcox, LLC, a retained executive search firm focusing on the human capital needs of the insurance industry founded in 2001. From 2000 to 2001, Mr. Chorney served as a managing director at KPMG Consulting and from 1983 to 2000 was Assurance Partner at KPMG LLP, serving as partner in charge of KPMG's U.S. insurance practice. Mr. Chorney was also a member of KPMG's International Insurance and U.S. Financial Services Leadership Committees from 1993 to 2000.

Thomas W. Mueller, age 57, has served as a Director of the Company since 1986. Mr. Mueller has been Vice President of Cardinal Industrial Insulation Co., Inc. in Louisville, Kentucky, which is engaged in industrial insulation and asbestos and sound abatement, since 1975. Mr. Mueller also serves as a board member for Actors Theatre of Louisville.

CONTINUING CLASS I DIRECTORS WHOSE TERMS WILL EXPIRE IN 2014

David V. Brueggen, age 65, has served as a Director of the Company since 1986 and as Chairman of the Board of Directors since June 2007. Mr. Brueggen was the Senior Vice President of finance of Anson Industries, Inc. in Melrose Park, Illinois, which is engaged in drywall, acoustical and foam insulation contracting prior to his retirement in 2007. Prior to that Mr. Brueggen was employed by Anson Industries, Inc. Previously, he was an audit manager with an international public accounting firm for 10 years. Mr. Brueggen is a certified public accountant.

Stephen R. Crim, age 48, has served as a Director of the Company since 2002. Mr. Crim became President and Chief Executive Officer of the Company in 2003 and became President of the Company's insurance and reinsurance operations in 2002. Prior to becoming President and Chief Executive Officer, Mr. Crim was responsible for all of the Company's underwriting functions since joining the Company in 1990. Previously, Mr. Crim was employed in the underwriting departments of Aetna Casualty and Surety Co. and The Hartford Insurance Co. between 1986 and 1990.

Lawrence I. Geneen, age 68, has served as a Director of the Company since 2003. He is President and owner of an insurance risk management and strategic consulting firm in Scarsdale, New York. From 1999 to 2001, he was Executive Vice President and Chief Operating Officer of American Management Association in New York, New York, which is engaged in management training and publishing. From 1997 to 1999, Mr. Geneen was a managing director of Marsh & McLennan, Inc. in New York, where he was responsible for global sales and client management leadership in its insurance brokerage business. From 1992 to 1997 he was a managing principal and shareholder of Johnson and Higgins, and from 1974 to 1992 he was employed in a number of executive sales positions and management positions in its insurance brokerage business.

ADVISORY (NON-BINDING) VOTE APPROVING EXECUTIVE COMPENSATION

(Proposal 2)

U.S. securities laws require that we include in our proxy statement an advisory vote on our executive compensation (a Say-on-Pay vote) as described in this proxy statement. At the 2011 Annual Meeting, held on July 25, 2011, the shareholders approved our executive compensation, with approximately 96.8% of the shares voted for or against voting to approve. Also at our 2011 Annual Meeting, we held a separate non-binding, advisory vote as to whether the Say-on-Pay vote should occur every one, two or three years. Shareholders had the option of selecting any one of the three options or abstaining from voting. Approximately 83% of the shareholders voted in favor of holding Say-on-Pay votes each year. While such vote is non-binding, the Board determined to follow the preference expressed by the shareholders and we are again asking our shareholders to provide advisory approval of the compensation of our named Executive Officers as disclosed in the Executive Compensation section and the accompanying tables contained in this proxy statement.

As we describe in detail in the Compensation Discussion and Analysis section and the accompanying compensation tables and narrative discussion contained in this proxy statement, we have designed our executive compensation programs to drive our long-term success and increase shareholder value. We utilize our executive compensation programs to provide compensation that will (i) attract and retain executive talent, (ii) encourage our Executive Officers to perform at their highest levels by directly linking a material portion of their total compensation with key Company financial and operational performance objectives, and (iii) directly align our executive compensation with shareholders interests through the grants of equity-based incentive awards.

Our Compensation Committee has overseen the development and implementation of our executive compensation programs using these core compensation principles as a guide. Our Compensation Committee also routinely reviews, evaluates and updates our executive compensation programs as needed to ensure that we continue to provide competitive compensation that motivates our named Executive Officers to perform at their highest levels while simultaneously increasing long-term shareholder value.

This non-binding Say-on-Pay vote gives you as a shareholder the opportunity to express your approval or disapproval of the compensation of our named Executive Officers that is disclosed in this proxy statement by voting for or against the following resolution (or by abstaining with respect to the resolution):

RESOLVED, that the shareholders of American Safety Insurance Holdings, Ltd. approve, on an advisory basis, the compensation of the Executive Officers named in this proxy statement as described under Executive Compensation, including the Compensation Discussion and Analysis and related tabular and narrative disclosure, contained in this Proxy Statement.

Because your vote is advisory, it will not be binding on either the Board of Directors or the Company. However, our Compensation Committee will take into account the outcome of the shareholder vote on this proposal when considering future executive compensation decisions and arrangements.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** PROPOSAL 2 TO APPROVE THE COMPANY'S EXECUTIVE COMPENSATION.

APPROVAL OF MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE 2007 INCENTIVE STOCK PLAN

(Proposal 3)

The Company's 2007 Incentive Stock Plan (the 2007 Plan) was approved by the Company's shareholders at the 2007 annual meeting and has served as a vital part of the Company's overall compensation program. The 2007 Plan allows the Company to grant equity-based compensation awards designed to provide additional incentive for the Directors and for the Officers and employees of the Company who are key to the Company's success, to align the interests of the Company's shareholders and the key Officers and employees and to aid in the retention of key personnel. As of March 31, 2012, there were 1,146,576 shares of the Company's common stock available for grant under the 2007 Plan.

The Directors of the Company and all employees of the Company and its affiliates are eligible to receive awards pursuant to the 2007 Plan. As of March 31, 2012, the Company had approximately 204 employees.

The shareholders are being asked to approve the material terms of the performance goals under the 2007 Plan. Shareholder approval under this Proposal 3 is necessary to preserve the Company's Federal income tax deduction for performance-based compensation paid to certain Executive Officers under Section 162(m) of the Internal Revenue Code of 1986, as amended. If the shareholders do not approve the material terms of the performance goals, the Company will not have the benefit of this federal income tax deduction with respect to awards granted under the 2007 Plan that contain the performance measures described below.

Section 162(m) of the Internal Revenue Code imposes an annual deduction limit of \$1 million on the amount of compensation paid to each of the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated Executive Officers of the Company. The deduction limitation does not apply to performance-based compensation that satisfies the requirements of Section 162(m). The requirements of Section 162(m) for performance-based compensation include shareholder approval of the material terms of the performance goals under which compensation is paid and the re-approval of such performance goals every five years.

Material Terms of the Performance Goals

The 2007 Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee has the sole discretion to grant to eligible participants one or more equity awards, including stock options, restricted stock, stock appreciation rights, and restricted stock units, performance stock and performance stock units, other stock-based awards or any combination thereof. The Compensation Committee has the sole discretion to determine the number or amount of any award. Awards (other than options and stock appreciation rights) to certain Senior Executives will, if the Compensation Committee intends any such award to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code, become earned and payable only if pre-established targets relating to one or more of the following performance measures are achieved during a performance period or periods, as determined by the Compensation Committee: (a) stock price, (b) earnings per share, (c) net earnings, (d) operating earnings, (e) return on assets, (f) shareholder return, (g) return on equity, (h) growth in assets, (i) revenue, (j) cash flow, (k) market share, (l) relative performance to a group of companies comparable to the Company, and (m) strategic business criteria consisting of one or more objectives based on the Company's meeting specified goals relating to revenue, market penetration, business expansion, costs or acquisitions or divestitures, subject to a performance period of no less than two calendar or fiscal years.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** PROPOSAL THREE TO APPROVE THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE 2007 INCENTIVE STOCK PLAN.

APPOINTMENT OF AUDITORS AND AUTHORIZATION OF THE AUDIT COMMITTEE TO SET THEIR REMUNERATION

(Proposal 4)

In accordance with Section 89 of the Bermuda Companies Act, the shareholders of the Company have the authority to appoint the Company's independent registered public accountants (auditors) and to authorize the Audit Committee to set the auditors remuneration. The Audit Committee and the Board of Directors request that the shareholders of the Company approve the appointment of BDO USA, LLP as the Company's auditors to serve until the conclusion of the next Annual General Meeting and authorize the Audit Committee to set their remuneration.

BDO USA, LLP has served as the Company's independent auditors since 2004. A representative of BDO USA, LLP is expected to attend the Annual General Meeting and will have the opportunity to make a statement and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** PROPOSAL 4 TO APPROVE THE APPOINTMENT OF BDO USA, LLP AS THE COMPANY'S AUDITORS TO SERVE UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AND TO AUTHORIZE THE AUDIT COMMITTEE TO SET THEIR REMUNERATION.

Independent Registered Public Accounting Firm Fees

The following represents the fees billed to the Company for the two most recent fiscal years by BDO USA, LLP the Company's independent registered public accountant for 2010 and 2011:

	2011 (in thousands)	2010 (in thousands)
Audit Fees ⁽¹⁾	\$ 545	\$ 542
Audit-Related Fees ⁽¹⁾	15	15
Tax Fees		
All Other Fees		
Total	\$ 560	\$ 557

(1) Includes fees for professional services rendered for the audit of the Company's annual financial statements, review of quarterly financial statements, statutory audits in 2011, and the audit of internal controls over financial reporting.

The Audit Committee of the Company's Board of Directors considered the provision of non-audit services by BDO USA, LLP and determined that the provision of such services was consistent with maintaining the independence of such independent registered principal public accounting firm. The Audit Committee pre-approves all audit and non-audit services provided by BDO USA, LLP.

CORPORATE GOVERNANCE**Meetings and Committees of the Board of Directors**

The Board of Directors of the Company held four meetings during 2011. All Directors attended at least 75% of the meetings of the Board of Directors and the Committees thereof on which they served during 2011.

Independence

The New York Stock Exchange listing standards require listed companies to have a board of directors with at least a majority of independent directors. The Board of Directors has affirmatively determined that each current director, including each nominee for reelection, with the exception of Mr. Crim (who is currently employed by the Company as its CEO), qualifies as an independent director. In determining each director's independence, the Board of Directors did consider that Messrs. Brueggen, Mueller and Birdwell are Directors of American Safety Risk Retention Group, Inc. The Company has no ownership interest in this entity but it is consolidated with the Company for accounting purposes. As a result, the Risk Retention Group is considered an affiliate of the Company rather than a subsidiary of the Company. The Board of Directors has determined that this relationship does not prevent these Directors from being independent within the applicable rules of the New York Stock Exchange and the Securities Exchange Commission (SEC).

Committees of the Board of Directors

The Board of Directors has established four standing committees: the Audit Committee, the Compensation Committee, the Finance Committee and the Nominating and Corporate Governance Committee.

The Board of Directors has established an Audit Committee composed of independent directors which reviews the scope of the Company's audit, pre-approves the services and fees of its independent accounting firm, recommends to the shareholders the engagement of the independent registered public accounting firm, and reviews such firm's reports. The Audit Committee operates pursuant to a written charter, a copy of which is available on our website, www.asih.bm in the Committee Charting subsection, under Corporate Overview in the Investor Relations section. The current members of the Audit Committee are Messrs. Brueggen, Chorney (Chairman) and Groot. The Board of Directors has determined that each member of the Audit Committee is financially literate. The Board of Directors has also determined that each of Mr. Brueggen, Mr. Chorney and Mr. Groot is qualified as an audit committee financial expert within the meaning of the SEC regulations, and therefore, meets the requirement under the New York Stock Exchange listing standards that at least one member of the audit committee have accounting or related financial management expertise. The Company's independent registered public accounting firm reports directly to the Audit Committee, which controls their engagement. The Audit Committee pre-approves the provision of all audit and non-audit related services by the Company's independent registered public accounting firm and meets with management and the accounting firm at each Audit Committee meeting in separate executive sessions, if deemed necessary, to review the Company's financial statements and significant findings based on the auditor's review processes. The Audit Committee also has established a procedure for the confidential and anonymous reporting of concerns regarding questionable accounting or auditing matters. The Audit Committee is responsible for reviewing the financial reports and other financial information provided by the Company to any governmental or other regulatory body and monitoring any public distribution or other uses thereof, reviewing the annual independent audit of the Company's financial statements, reviewing the Company's systems of internal accounting and financial controls and reviewing and monitoring the internal audit process and internal audit results. However, the Audit Committee is not responsible for planning or conducting the audit or for determining whether the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Nor is the Audit Committee responsible for ensuring that the Company complies with all laws and regulations and its Code of Business Conduct and Ethics. The Audit Committee held five meetings during 2011.

The Compensation Committee is currently composed of Messrs. Geneen (Chairman) and Mueller. The Committee operates pursuant to a written charter, which is available on our website, www.asih.bm in the Committee Charting subsection, under Corporate Overview in the Investor Relations section. The charter is reviewed annually by the Committee. The Board of Directors has determined that the members of the Committee are non-employee directors (within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended), outside directors (within the meaning of Section 162(m) of the Internal Revenue Code), and independent directors (within the standards set forth by the New York Stock Exchange). In addition, no Committee member is a current or former employee of the Company or any of its subsidiaries. Generally, the Committee is responsible for recommending to the Board of Directors matters regarding executive compensation. The Compensation Committee held four meetings during 2011.

The Finance Committee is composed of Messrs. Birdwell and Groot and is responsible for recommending portfolio allocations to the Board of Directors, approving the Company's guidelines that provide standards to ensure portfolio liquidity and safety, approving investment managers and custodians for portfolio assets, and considering other matters regarding the financial affairs of the Company. The Committee operates pursuant to a written charter, which is available on our website, www.asih.bm in the Committee Charting subsection, under Corporate Overview in the Investor Relations section. The Finance Committee held four meetings during 2011.

The Nominating and Corporate Governance Committee is composed of Messrs. Birdwell (Chairman), Geneen and Mueller. The Committee has as its purposes identifying individuals qualified to become members of the Board of Directors and recommending to the Board of Directors candidates for election or reelection as directors; monitoring and recommending corporate governance and other Board of Directors practices; and overseeing performance reviews of the Board of Directors, its committees and the individual members of the Board of Directors. The Committee operates pursuant to a written charter, which is available on our website, www.asih.bm in the Committee Charting subsection, under Corporate Overview in the Investor Relations section. The Nominating and Corporate Governance Committee held four meetings in 2011.

Shareholders may obtain a printed copy of any of the committee charters referenced above, without charge, upon written request to the Secretary of the Company, 31 Queen Street, Hamilton HM 11, Bermuda.

Executive Sessions

The independent directors generally meet in executive sessions, at which only independent directors are present, at meetings of the Board of Directors and as needed. Mr. Brueggen presides over the executive sessions of the Board of Directors.

Board of Directors Attendance at Annual General Meeting

It is the policy of the Company and the Board of Directors that all Directors attend the Annual General Meeting and be available for questions from shareholders, except in the case of unavoidable conflicts. All of the Company's Directors attended the 2011 Annual General Meeting of Shareholders.

Shareholder Communications to the Board of Directors

Shareholders and other parties interested in communicating directly with the Company's Board of Directors or any individual may contact them by writing c/o the Secretary of the Company, 31 Queen Street, Hamilton HM 11, Bermuda. The Secretary will receive the correspondence and forward it to the individual director or directors to whom the correspondence is directed or the Chairman of the Nominating and Corporate Governance Committee. The Secretary will not forward any correspondence that is unduly hostile, threatening, illegal, not reasonably related to the Company or its business or similarly inappropriate.

Consideration of Director Nominees

The Nominating and Corporate Governance Committee has been delegated the task of seeking qualified candidates for Directors and evaluating and recommending for subsequent ratification by the Board of Directors for nomination candidates for election or reelection as Directors.

With respect to the Committee's evaluation of director nominee candidates, the Committee has no formal requirements or minimum standards for the individuals that it nominates. The Committee evaluates each candidate for nomination to election to the Board of Directors based on certain minimum requisite qualifications set forth by the Board of Directors. Some factors that the committee generally views as relevant and is likely to consider in its evaluation of candidates include, but are not limited to:

Career experience, particularly experience germane to the Company's business;

Personal and professional ethics;

Expertise that may serve the Company and complement the expertise of other members of the Board of Directors;

Ability to devote significant time and effort to Board of Directors and Board of Directors committee responsibilities;

Whether the candidate is independent; and

Whether a candidate is financially literate or an audit committee financial expert (as defined by the SEC).

The committee does not assign a particular weight to these individual factors. Rather, the committee looks for a mix of factors, when considered in combination with the expertise and credentials of the other candidates and the existing Board of Directors that will provide shareholders with an experienced and diverse Board of Directors.

With respect to the identification of nominee candidates, the Committee does not have a formalized process. Instead, its members and the senior management of the Company generally recommend candidates of whom they are aware personally or by reputation. The Company historically has not utilized a recruiting firm to assist in the process, but may do so in the future.

The Nominating and Corporate Governance Committee welcomes recommendations from shareholders. The Nominating and Corporate Governance Committee evaluates a candidate recommended by a shareholder in the same manner that the committee evaluates a candidate recommended by other means. In order to make a recommendation, the Nominating and Corporate Governance Committee asks that a shareholder send the Nominating and Corporate Governance Committee:

A resume for the candidate, detailing the candidate's work experience and credentials;

A written confirmation from the candidate that he or she (1) would like to be considered as a candidate and would serve if nominated and elected, (2) consents to the disclosure of his or her name, (3) is, or is not, independent as that term is defined in the charter of the Nominating and Corporate Governance Committee, and (4) has no plans to change or influence the control of the Company;

The name of the recommending shareholder as it appears in the Company's books, the number of shares that are owned by that shareholder and written confirmation that the shareholder consents to the disclosure of his or her name. (If the recommending person is not a shareholder of record, he or she should provide proof of share ownership);

Personal and professional references, including contact information; and

Any other information relating to the candidate required to be disclosed in a proxy statement for election of directors under Regulation 14A of the Securities Exchange Act of 1934 (the Exchange Act).

This information should be sent to the Nominating and Corporate Governance Committee, c/o Secretary, American Safety Insurance Holdings, Ltd., 31 Queen Street, Hamilton HM 11, Bermuda, who will forward the information to the Chairman of the Committee. In order to be included in the Company's proxy materials for presentation at the 2013 Annual General Meeting of Shareholders, the Secretary must receive this information by January 30, 2013.

In addition to the procedures described above for recommending prospective nominees, shareholders may directly nominate directors for consideration at the Annual General Meeting of Shareholders.

Director Compensation**DIRECTOR COMPENSATION TABLE**

Name	Fees Earned or Paid In Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	All Other Compensation (\$)	Total (\$)
Cody W. Birdwell	42,500	47,500		90,000
David V. Brueggen	62,500	47,500	8,511	118,511
Harris Chorney	55,000	47,500	14,792	117,292
Stephen R. Crim ⁽³⁾				
Lawrence I. Geneen	46,500	47,500	7,142	101,142
Steven L. Groot	51,250	47,500	10,010	108,760
Thomas W. Mueller	37,000	47,500	6,320	90,820

- (1) These amounts represent all fees earned for service as a Director during 2011. The non-employee Directors received the following compensation for their services as a Director. The Directors' compensation is subject to change from time to time.

Annual Retainer Fee Each non-employee Director is paid in the form of common shares of the Company having a fair market value of \$40,000 (or a pro rata portion thereof for less than a full year's service) on the date of issuance.

Retainer Fees for Committee Chairs The annual cash retainer for (i) the Chairman of the Board is \$15,000; (ii) the Audit Committee Chairman is \$15,000; and (iii) the Chairman of any committee, other than the Audit Committee, is \$7,500.

Travel Compensation Each non-employee Director receives \$1,000 for their travel time to any meeting requested by the Company in which they are present in person and for other miscellaneous expenses. Such compensation is not paid for attendance at a meeting not requiring travel.

Expense Reimbursement The Directors are reimbursed for their expenses incurred in connection with travel to any Board and/or Committee meeting, including airfare, lodging and meals and incidentals. Directors are also reimbursed for fees and costs associated with board education or professional development.

- (2) Stock Awards' dollar amount is calculated by using fair market value of the awards on July 25, 2011. The aggregate number of common shares issued was 16,975.

- (3) Mr. Crim is the Chief Executive Officer of the Company and receives no additional compensation as a Director of the Company.

Code of Business Conduct and Ethics

The Board of Directors has approved a Code of Business Conduct and Ethics in accordance with rules of the SEC and the New York Stock Exchange listing standards applicable to all directors, officers and employees, including the principal executive officers, principal financial officers, principal and senior accounting officers or controller, or persons performing similar functions. The Code of Business Conduct and Ethics is intended to provide guidance to directors and management to assure compliance with law and promote ethical behavior. The Company's Code of Business Conduct and Ethics is available on our website, www.asih.bm in the Governance Documents subsection, under Corporate Overview in the Investor Relations section. Shareholders may request a printed copy of the Code of Business Conduct and Ethics, free of charge, upon written request to the Secretary of the Company, 31 Queen Street, Hamilton HM 11 Bermuda.

Corporate Governance Guidelines

The Company is committed to having sound corporate governance practices, and the Board of Directors has adopted Corporate Governance Guidelines that provide a framework for the governance of the Company. The Board of Directors reviews these guidelines periodically and monitors developments in the area of corporate governance. Our Corporate Governance Guidelines are available on our website, www.asih.bm in the Governance Documents subsection, under Corporate Overview in the Investor Relations section. Shareholders may request a printed copy without charge, upon written request to the Secretary of the Company, 31 Queen Street, Hamilton HM 11 Bermuda.

Diversity

The Board firmly believes that it is necessary, in order for the Board to function appropriately, for each of its members to possess a number of qualities and skills. The Nominating and Corporate Governance Committee of the Board (the Nominating Committee) seeks candidates for the Board who have a broad diversity of experience, profession, skill, education and background. The Board believes that the backgrounds and experiences of the members of the Board, considered as a group, should provide a significant composite mix of experience, particularly management experience, knowledge, industry expertise and abilities in order for the Board to best fill its responsibilities. The Nominating Committee also considers the evolving needs of the Board for particular expertise and searches for candidates to fill any current or anticipated future particular expertise or experience needs of the Board. In addition, the Nominating Committee considers areas of judgment, background, stature, potential conflicts of interest, integrity, ethics, and commitment to maximizing shareholder value, as well as focusing on areas of diversity such as gender, race, national origin, education and differences in viewpoints and skills. The Nominating Committee does not have a formal policy with respect to diversity but believes strongly that the Board members must represent diverse points of view. Potential nominees are not discriminated against on the basis of race, gender, national origin, sexual orientation, disability or any other basis proscribed by law. In the context of nomination of members of the Board for re-election, the individual's performance as a Board member and contributions to the Board are also considered.

Director Qualifications

The Board of Directors is responsible for oversight of the Company's business, subject to the Board's fiduciary duties to the Company's stockholders. Discharging this responsibility requires that the Board consist of skilled individuals with varied backgrounds, qualities and experience. The Board believes that there are both basic qualifications for service on the Board that apply to all Directors and special qualifications that need to be represented on the Board but need not be possessed by each of the members. The Board and the Nominating Committee consider the qualifications of members of the Board and nominees for Board positions individually and in light of the composition of the Board and perceived needs of the Company.

In assessing Board members and candidates for the Board, the Nominating Committee considers, among other attributes, the person's judgment, integrity, experience, background, industry knowledge and ability and commitment to devote the time necessary in order to fulfill his or her Board responsibilities. As noted above in *Diversity*, the Nominating Committee does not have a specific diversity policy but believes that a variety of points of view is beneficial to the proper functioning of the Board and the satisfaction of its responsibilities. Because the Company is a specialized excess and surplus insurance carrier and reinsurer, the Board believes that it is particularly important that specific industry experience in the insurance, construction and environmental industries be represented on the Board. In addition, both general and industry specific finance and accounting expertise is critical. Finally, the Board feels that industry specific capital markets experience is an important component in the composition of the Board.

Below is a chart that summarizes the specific qualifications of each non-employee member of the Board of Directors, including the nominees for election at the 2012 Annual Meeting of Stockholders. An X in the chart indicates that person's specific qualification or expertise upon which his Board service is based. The fact that a particular qualification is not marked does not mean that the person does not have that particular qualification or skill, just that the particular qualification or skill is not the area for which the Board relies on that person.

	Cody W. Birdwell*	David V. Brueggen	Harris R. Chorney	Lawrence I. Geneen	Steven L. Groot*	Thomas W. Mueller
High level of industry specific accounting and finance expertise		X	X		X	
Audit Committee financial expert		X	X		X	
Extensive knowledge of the insurance industry				X	X	
Extensive construction and environmental industry knowledge and experience	X	X				X
Broad general business experience	X	X		X		X

* Candidate for reelection at 2012 Annual Meeting of Stockholders

Board Leadership Structure

The Company has separated the roles of Chief Executive Officer and Chairman of the Board in recognition of the distinct differences between the two functions. The Chief Executive Officer is responsible for setting the strategic direction of the Company, acting as the face of the Company to the investment community, and for the day to day leadership and performance of the Company. In contrast, the Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for Board meetings and presides over meetings of the Board and the shareholders. Mr. Brueggen, the Chairman of the Board, is not an employee of the Company and is independent, so the Board has not appointed a lead or presiding director.

Board's Role in Risk Oversight

The Board takes an active role, both as a whole and at the committee level, in overseeing management of the Company's risks. The Board or appropriate committee of the Board receives regular reports from members of senior management on areas of material risk to the Company, including, without limitation, operational, financial, legal and regulatory, strategic, credit, liquidity, investment and reputational risks. The Compensation Committee is responsible for overseeing management of risks associated with the Company's compensation plans and arrangements. The Audit Committee is responsible for oversight of financial risk management while the Finance Committee oversees management of investment risks. The Nominating and Corporate Governance Committee oversees management of risks related to director independence, conflicts of interest and corporate governance. The Board as a whole is responsible for oversight of the Company's enterprise risk management program and, while Committees are primarily responsible for overseeing the management of certain risks, the entire Board is regularly informed about such risk oversight through Committee reports.

Executive Officers

The following summarizes the business experience over the last five years of the Company's Executive Officers, other than Mr. Crim, whose business experience is described above under DIRECTORS .

Mark W. Haushill, age 50, has served as Chief Financial Officer and Treasurer since September 2009. Prior to joining ASI, he served as Senior Vice President and Chief