AMERICAN SAFETY INSURANCE HOLDINGS LTD
Form DEF 14A
May 29, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statements Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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))**
x 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):

x 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:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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 24, 2008

____

The Annual General Meeting of Shareholders of American Safety Insurance Holdings, Ltd. will be held at the Fairmont The Queen Elizabeth Hotel, Montreal, Canada on Thursday, July 24, 2008, at 8:00 a.m. local time, for the following purposes:

1. To elect three Class I Directors to the Company's Board of Directors to serve for three year terms expiring at the 2011 Annual General Meeting of Shareholders; and to elect one Class III Director, whose term shall expire at the 2010 Annual General Meeting of Shareholders.

2. To approve the appointment of BDO Seidman 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.

3. To consider and vote upon a proposal for the approval of the Employee Stock Purchase Plan.

4. To amend the Bye-Laws of the Company.

The Board of Directors has set May 9, 2008 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.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH OF THE PROPOSALS LISTED ABOVE AS MORE PARTICULARLY 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 AJOURNMENT OF THE MEETING. YOUR PROXY MAY BE REVOKED BY YOU, IF YOU CHOOSE. ANY REVOCATION BY YOU OF YOUR PROXY MUST BE SUMITTED TO THE SECRETARY AN HOUR BEFORE THE VOTE BEING TAKEN AT THE ANNUAL GENERAL MEETING.

By Order of the Board of Directors

Randolph L. Hutto, Secretary

May 23, 2008

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

____

PROXY STATEMENT

Annual General Meeting of Shareholders

To Be Held July 24, 2008

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 specialty insurance holding company that provides through its operating subsidiaries and affiliates customized insurance products and solutions to small and medium-sized businesses in industries that we believe are underserved by the standard insurance market. The Company offers innovative insurance solutions outside of the United States in the reinsurance and alternative risk markets through its subsidiaries, American Safety Reinsurance, Ltd. and American Safety Assurance, Ltd. and actuarial consulting services through its Bermuda subsidiary Ordinance Holdings, Ltd. In the United States, the Company offers solutions for specialty risks and alternative risk markets through its program administrator, American Safety Insurance Services, Inc. and its insurance company subsidiaries and affiliates, American Safety Casualty Insurance Company, American Safety Indemnity Company and American Safety Risk Retention Group, Inc. For twenty years, we have developed specialized insurance coverages and alternative risk transfer products not generally available to our customers in the standard insurance market because of the unique characteristics of the risks involved and the associated needs of the insureds. We specialize in underwriting these products for insureds with environmental risks and construction risks, as well as in developing programs for other specialty classes of risk. Unless otherwise indicated by the context, the term "Company" or "American Safety" 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 the Annual General Meeting 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 an hour before the vote being taken, by notice to the Secretary of the Company, by submitting a proxy having a later date, or by 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 proxy is signed and no specification is made, the shares represented by the proxy will be voted **FOR** the proposed nominees for election as directors, and **FOR** the other proposals described in this Proxy Statement and in accordance with the best judgment of the persons exercising the proxy with respect to any other matters presented for action at the Annual General Meeting.

This Proxy Statement and the enclosed proxy are first being mailed to the Company’s shareholders on or about May 27, 2008.

Record Date and Outstanding Shares

The Board of Directors has set May 9, 2008 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 10,603,676 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. Both abstentions and broker non-votes will be treated as present for purposes of determining a quorum. However, abstentions and broker non-votes (if any) with respect to each of the Proposals will not be counted as votes cast in favor of or against the Proposal for which the broker has no discretionary voting authority and will have no affect on the result of the vote. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

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. Each of the Proposals requires the affirmative vote of a majority of the common shares of the Company present in person or represented by proxy at the Annual General Meeting.The Company does not have cumulative voting.

With regard to the election of Class I and Class III Directors (Proposal 1), the appointment of the independent registered public accountants (Proposal 2), the approval of the Employee Stock Purchase Plan (Proposal 3) and the amendment to the Bye-Laws (Proposal 4) abstentions and broker non-votes will have no effect on the result of the vote.

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.

ELECTION OF CLASS I 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. 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. The Board of Directors presently consists of eight members. Proxies cannot be voted for a greater number of persons than the number of the nominees named.

The Board of Directors has nominated David V. Brueggen, Stephen R. Crim and Lawrence I. Geneen for re-election as Class I Directors of the Company to hold office and serve three year terms which will expire in 2011 at the Annual General Meeting. The three nominees are presently directors of the Company.The Board of Directors also has nominated Joseph F. Fisher for election as a Class III Director to fill the vacancy created by William Robbie's resignation from the Board on January 19, 2008. If elected, Mr. Fisher will hold office and serve the remaining two years of Mr. Robbie's term, expiring in 2010 at the 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 American Safety 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 in 2009 or 2010. 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 DAVID V. BRUEGGEN, STEPHEN R. CRIM AND LAWRENCE I. GENEEN AS THE NOMINEES NAMED BELOW AS CLASS I DIRECTORS AND TO ELECT JOSEPH F. FISHER AS THE NOMINEE NAMED BELOW AS A CLASS III DIRECTOR.

NOMINEES FOR ELECTION AS CLASS I DIRECTORS WHOSE TERMS, IF ELECTED, EXPIRE IN 2011

David V. Brueggen, age 61, 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 at December 31, 2007. Mr. Brueggen was employed by Anson Industries, Inc. since 1982. 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 44, has been 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 64, 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.

NOMINEE FOR ELECTION AS A CLASS III DIRECTOR WHOSE TERM, IF ELECTED, EXPIRES IN 2010

Joseph F. Fisher, age 52, served as the Chief Financial Officer of Platinum Underwriters Holdings, LTD., a Bermuda-based provider of property, casualty and finite risk reinsurance coverages, from July 2004 through July 2007. From 1996 until he joined Platinum, Mr. Fisher served as Chief Financial Officer of Royal & Sun Alliance Insurance, one of the top 25 property and casualty insurance companies in the U.S. and a subsidiary of Royal & Sun Alliance plc, which is publicly traded on the London Stock Exchange. Prior to his joining Royal & Sun Alliance, Mr. Fisher was a partner at the accounting firm of Coopers & Lybrand.

CONTINUING CLASS II DIRECTORS WHOSE TERMS EXPIRE IN 2009

Cody W. Birdwell, age 55, has served as a director of the Company since 1986. Mr. Birdwell has been president of Houston Sunbelt Communities, L.C. in Houston, Texas, which is engaged in subdivision and mobile home community development and sales, since 1993.

4

Steven L. Groot, age 58, 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 to 2002, most recently as President of Direct Distribution and e-Commerce and as a member of its board of directors.

Frank D. Lackner, age 39, has been a director of the Company since 2004. Mr. Lackner served as a managing director of Fox-Pitt, Kelton in 2007 and currently is a founding partner of Lackner Capital Advisors, LLC, a consulting firm focused on the insurance industry. From 2001 to 2006, Mr. Lackner served as a managing director with Torsiello Capital Partners LLC in New York, New York, engaged in providing investment banking and financial advisory services to the global insurance and financial services industry. From 1998 to 2001, Mr. Lackner was co-founder and president of RiskContinuum, Inc., an online reinsurance exchange start-up venture that was established to facilitate reinsurance opportunities for insurance brokers, corporate risk managers, insurance and reinsurance companies but subsequently has ceased operations. From 1993 to 1997, he was a vice president with Insurance Partners L.P., a private equity investment partnership specializing in financial services. From 1992 to 1993, Mr. Lackner was an assistant underwriter with Centre Reinsurance Companies, a subsidiary of Zurich Financial Services, engaged in finite risk reinsurance and insurance transactions. Prior to joining Centre Re, Mr. Lackner was an investment banking analyst in the insurance group at Donaldson, Lufkin & Jenrette Securities Corp. from 1990 to 1992. Mr. Lackner is a director of Greenlight Capital Re, Ltd.

CONTINUING CLASS III DIRECTORS WHOSE TERMS EXPIRE IN 2010

Thomas W. Mueller, age 53, 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.

Jerome D. Weaver, age 54, has served as a director of the Company since 2001. Mr. Weaver has been chief executive officer of Specialty Systems, Inc. in Indianapolis, Indiana, which is engaged in general construction and asbestos abatement, since 1996. He has been employed by Specialty Systems, Inc. since 1989.

APPOINTMENT OF AUDITORS AND AUTHORIZATION

OF THE AUDIT COMMITTEE TO SET THEIR REMUNERATION

(Proposal 2)

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 auditor's remuneration. The audit committee and the Board of Directors request that the shareholders of the Company approve the appointment of BDO Seidman 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 Seidman LLP has served as the Company's independent auditors since July 26, 2004. A representative of BDO Seidman 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 2 TO APPROVE THE APPOINTMENT OF BDO SEIDMAN 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 Seidman LLP, the Company's independent registered public accountant for 2006 and 2007:

	2007 (in thousands)	2006 (in thousands)
Audit Fees [1]	$ 510	$ 565
Audit-Related Fees	--	--
Tax Fees	**--**	**--**
All Other Fees	--	--
Total	$ 510	$ 565

(1) Includes fees for professional services rendered for the audit of the Company's annual financial statements, review of quarterly financial statements, review of the Company's registration statements on Form S-8 in 2007 and Form S-1 in 2006, statutory audits and audits of internal controls over financial reporting as required by Section 404 of the Sarbanes Oxley Act.

The audit committee of the Company's Board of Directors considered the provision of non-audit services by BDO Seidman 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 Seidman LLP.

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

EMPLOYEE STOCK PURCHASE PLAN

(Proposal 3)

At the Annual General Meeting, the Company's shareholders will be asked to consider and approve the Company's Employee Stock Purchase Plan (the "ESPP"). The Board unanimously approved the Company's ESPP on March 5, 2008 and recommends that the Company's shareholders approve and adopt the ESPP. The ESPP will become effective upon the approval of the Company's shareholders.

The following summary of the ESPP is qualified in its entirety by express reference to the text of the ESPP, a copy of which is attached as Appendix A to this Proxy Statement. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended.

For purposes of this discussion, all capitalized terms not defined in this discussion shall have the meaning ascribed to them in the ESPP, attached hereto as Appendix A.

Purpose

The purpose of the ESPP is to give eligible employees of the Company and its subsidiaries an opportunity to buy stock of the Company through payroll deductions. The Company has reserved for issuance under the ESPP 1,000,000 common shares.

Participation

Any employee of the Company or any of its subsidiaries is eligible to participate in the ESPP if he or she is employed by the Company for more than 20 hours per week and for more than five months in any calendar year. An Eligible Employee will become a Participant upon completing and delivering a participation agreement authorizing payroll deductions to the Company no later than 10 days prior to the last business day of the month immediately preceding the applicable Participation Period. However, an employee will no longer be eligible to participate if he/she withdraws from the ESPP pursuant to such terms and conditions as provided in the ESPP, ceases to be a Participant, ceases to be an Eligible Employee, or would own 5% or more of the Company's common stock. Once withdrawn from the ESPP, an employee may again become a Participant subject to the same eligibility requirements by delivering a new participation agreement no later than 10 days prior to the last business day of the month immediately preceding such Participation Period. A Participant may authorize payroll deductions of a specific whole percentage which does not exceed 12%of his or her compensation. All payroll deductions shall be credited to the Participant's Contributions Account. Once a Participation Period has begun, a Participant can increase or decrease the amount of his or her payroll deductions for a later Participation Period by delivering a new participation agreement to the Company no later than 10 days prior to the last business day of the month immediately preceding such later Participation Period. The Committee, which administers the ESPP, in its discretion shall determine the extent to which any leave of absence for governmental or military service, illness, temporary disability or other reasons will impact an individual's enrollment or participation in the ESPP. Where the period of leave exceeds three

7

(3) months and the individual's right to reemployment is not provided either by statute or contract, the employment relationship will be deemed to have terminated on the first day immediately following such three-month period.

Grant of Purchase Rights

On the first day of the Participation Period, each Participant will be granted a right to purchase such number of shares with the accumulated payroll deductions in the Participant's Contributions Account at the applicable Purchase Price, subject to the maximum limit of shares that may be purchased. The Purchase Price shall be a percentage, as may be determined from time to time by the Committee prior to a Participation Period (but not less than 85%), of the Fair Market Value on the Offer Date for the Participation Period; provided, however, that the Committee may elect that the Purchase Price shall be the lesser of such percentage of the Fair Market Value on (i) the Offer Date of the Participation Period or (ii) the Purchase Date for the Participation Period. No employee shall be granted a Purchase Right: (i) if the Participant would own 5% or more of the Company's issued and outstanding stock; (ii) if the Participant's right to purchase would accrue at a rate that exceeds more than $25,000 in Fair Market Value of such stock for each calendar year; (iii) if the Participant makes a hardship withdrawal from a Company established cash or deferred arrangement; or (iv) for more than 1,000shares of Common Stock for any Participation Period.

Exercise of Purchase Rights

The Participant's Purchase Rights for the purchase of Common Stock will be exercised automatically on the Purchase Date applicable during a Participation Period. As soon as practicable, after each Purchase Date, the shares will be credited to an account in the Participant's name with one or more brokers the compensation committee designates. A certificate will be issued to the Participant when his or her participation in the ESPP is terminated or upon request. A Purchase Right that is not automatically exercised on the Purchase Date will expire at the end of the last day of the Participation Period. Any payroll deductions credited to the Participant's Contributions Account that have not been used to purchase stock will be paid to the Participant without interest within 30 days following the last day of the Participation Period. A Participant will have no rights as a shareholder until a certificate for the shares has been issued to the Participant or the transfer agent reflects the Participant's ownership of the Common Stock in the Company's stock ledger.

Withdrawal

A participant may withdraw by giving written notice to the Company. Generally, the withdrawal will be effective as soon as administratively practicable. Should the Participant wish to withdraw by the first day of a Participation Period, the written notice must be received no later than 10 days prior to the last business day of the month preceding such Participation Period. Once a Participant withdraws, any outstanding Purchase Rights will be terminated and such Participant's account balance will be distributed to him or her and no further payroll deductions will be made after the withdrawal is effective. A Participant may participate in any succeeding Participation Period, upon meeting the eligibility requirements and contingent upon the timely delivery of a new participation agreement.

Termination of Employment

Upon termination of a Participant’s employment with the Company or its subsidiaries for any reason, he or she will be deemed to have elected to withdraw from the ESPP. As such any outstanding Purchase Rights will be terminated and such Participant’s account balance will be distributed to him or her and no further payroll deductions will be made after the Participant’s last payroll period with all Employers or, if applicable, after the Participant’s last payroll period with all Employers as an Eligible Employee.

Transferability

A Participant may not transfer, assign, pledge or otherwise dispose of a Purchase Right other than by will or the laws of descent and distribution.

Adjustments Affecting Purchase Rights

The Board, in its sole discretion, may adjust the number of shares of Common Stock available under the ESPP in order to reflect any increase or decrease in the number of issued shares of Common Stock resulting from any stock split or reclassification of Common Stock, payment of any stock dividend, or any other similar increases or decreases in the number of outstanding shares of Common Stock without the receipt of consideration therefore. Upon dissolution or liquidation of the Company, upon a merger or consolidation of the Company in which the Company is not the surviving corporation or upon any other similar event or transaction, each Participant who holds Purchase Rights under the Plan shall be entitled to purchase at the next Purchase Date the same relative cash, securities, and/or other property which a holder of Common Stock was entitled to receive at the time of such transaction.

Shareholder Approval of the ESPP

The adoption of the ESPP is contingent upon the approval of the shareholders of the Company.

Administration and Claims Procedure

The Committee will administer the ESPP. References to the “Committee” shall include the Compensation Committee, the Board if it is acting in its administrative capacity with respect to the ESPP, and any delegates the Committee appoints pursuant to Section 12(b) of the ESPP. Subject to the provisions of the ESPP, the Committee shall have full and final authority, in its discretion, to take any action with respect to the ESPP. The determinations of the Committee on all matters regarding the ESPP shall be final and binding upon each Employer, each Employee, each Participant and any other person claiming a right under the ESPP.

It is not necessary for a Participant to file a claim in order to receive benefits under the ESPP. On receipt of a claim for benefits, however, the Committee will respond in writing within 90 days. If the claim is denied, the claimant may make a proper written request for a review to the Committee, and the Committee must conduct a review. The Committee must receive the claimant's written request before the 61st day after the claimant's receipt of notice that a claim has been denied. The written final determination must be rendered within 60 days after the request for review is received, unless an extension is necessary in which case the final determination must be rendered within 120 days. A claimant may not file any suit or other action for benefits under this ESPP unless and until he or she submits a proper written request for a review of any adverse decision of such claim for benefits and then exhausts the administrative process described herein. A claimant then shall have 90 days from the date he or she receives an adverse final determination of such claim on review in which to file suit in a court of competent jurisdiction for benefits under the ESPP. If the claimant does not file suit within such 90 day period, the claimant shall be forever barred from doing so.

Amendment and Termination of the ESPP

The Board may at any time and from time to time modify, amend, suspend or terminate the ESPP or any Purchase Right granted hereunder, provided, however, that (i) shareholder approval shall be required for any amendment to the ESPP to the extent Section 423 of the Code or other applicable law, rule or regulation requires shareholder approval (including without limitation any amendment that increases the aggregate number of shares of Common Stock that may be purchased under the Plan or changes individuals who are eligible to participate in the Plan other than as set forth herein); and (ii) no amendment to the ESPP or a Purchase Right may materially and adversely affect any Purchase Right outstanding at the time of the amendment without the consent of the holder thereof. The ESPP will terminate automatically at the time all shares of Common Stock subject to the ESPP have been purchased.

Unfunded ESPP

Neither a Participant nor any other person shall, by reason of the ESPP, acquire any right in or title to any assets, funds or property of the Company or any Subsidiary, including, without limitation, any specific funds, assets or other property which the Company or any Subsidiary, in its discretion, may set aside in anticipation of any liability under the ESPP. Neither the Company nor any Subsidiary shall be required to set aside any specific funds, assets or property in anticipation of any liability under the ESPP. A Participant shall have only a contractual right to the Common Stock or amounts, if any, payable under the ESPP, unsecured by any assets of the Company or any Subsidiary. Nothing contained in the ESPP shall constitute a guarantee that the assets of such corporations shall be sufficient to pay any benefits to any person.

Use of Funds

The proceeds the Company receives from the sale of Common Stock pursuant to Purchase Rights will be used for general corporate purposes.

Withholding Taxes

Upon the exercise of any Purchase Right under the ESPP, in whole or in part, or at the time of disposition of some or all of the Common Stock acquired pursuant to the exercise of a Purchase Right or any other applicable time, the Participant’s Employer shall withhold the minimum legally required applicable federal, state and local taxes from a Participant’s Compensation or shall require the Participant to remit to the Employer amounts sufficient to satisfy all such federal, state and local withholding tax requirements prior to the delivery or transfer of any certificate or certificates for shares of Common Stock.

No Right of Continued Employment

Neither the ESPP nor any Purchase Right shall confer upon a Participant the right to continue in the employment of the Company or any Subsidiary or affect any right of the Company or any Subsidiary to terminate the employment of such Participant at any time for any reason.

Dispositions of Stock

A Participant who acquires shares of Common Stock pursuant to the exercise of Purchase Rights under this ESPP shall notify the Committee, in writing, if he or she sells, transfers, or otherwise disposes of such shares of Common Stock before the later of (i) one year after the Purchase Date on which the Participant acquired such shares or (ii) two years after the Offer Date on which the related Purchase Right was granted.

Notices

Every direction, revocation or notice authorized or required by the ESPP shall be deemed delivered to the Company on the date it is received by the Company at its principal executive offices and shall be deemed delivered to an Eligible Employee on the date he or she receives it.

Applicable Law

To the extent not inconsistent with Section 423 of the Code and any Treasury Regulations thereunder, all questions pertaining to the validity, construction and administration of the ESPP and any Purchase Rights granted hereunder shall be determined in conformity with the laws of Bermuda, without regard to the conflict of laws provisions of any jurisdiction, to the extent not preempted by U.S. federal law.

Other Restrictions on Purchase Rights and Shares

Unless otherwise provided for in the ESPP, no Purchase Rights may be granted or exercised under the ESPP for a Participation Period unless the shares of Common Stock to be purchased under such Purchase Rights are covered by an effective registration statement pursuant to the Securities Act of 1933, as amended, as of the first day of such Participation Period. The Company may impose such restrictions on any Purchase Rights and shares of Common Stock acquired upon exercise of Purchase Rights as it may deem advisable. The

Company shall not be obligated to grant any Purchase Rights or issue, deliver or transfer shares of Common Stock under the ESPP or make any other distribution of benefits under the ESPP, or take any other action, unless such grant, delivery, distribution or action is in compliance with all applicable laws, rules and regulations (including but not limited to the requirements of the Securities Act of 1933, as amended, the federal securities laws, or any blue sky or state securities laws).

YOUR BOARD RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** THE APPROVAL OF THE AMERICAN SAFETY INSURANCE HOLDINGS, LTD EMPLOYEE STOCK PURCHASE PLAN.

AMEND THE BYE-LAWS OF THE COMPANY

(Proposal 4)

Subject to shareholder approval, the Board of Directors adopted a resolution to amend certain sections of the Company's Bye-Laws.

The Board of Directors deems it to be in the best interest of the shareholders to amend its Bye-Laws to allow the issuance of uncertificated shares. It is proposed that at the Annual General Meeting, the shareholders adopt the amendments to certain sections of the Bye-Laws of the Company as follows:

Bye-Law 9.(4) under 'Share Certificates' which currently reads as follows:

(4) Every Person whose name is entered, upon an allotment of shares, as a Member in the Register shall be entitled, without payment, to receive one certificate for all shares of any one class or several certificates each for one or more of the shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines.

shall be deleted in its entirety and the following Bye-Law 9.(4) shall be inserted in lieu thereof:

(4) Every Person whose name is entered, upon an allotment of shares, as a Member in the Register shall be entitled, upon request and without payment, to receive one certificate for all shares of any one class or several certificates each for one or more of the shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines.

Bye-Law 9.(6) under 'Share Certificates' which currently reads as follows:

(6) Notwithstanding any provision in these Bye-laws to the contrary, a Person may by Notice to the Company elect that no certificate be issued in respect of shares registered or to be registered in his name and on receipt of such election the Company shall not be required to issue a certificate for such shares or may cancel an existing certificate without issuing another certificate in lieu thereof.

shall be deleted in its entirety and the following Bye-Law 9.(6) shall be inserted in lieu thereof:

(6) Certificates for the shares of the capital stock of the company shall be issued only to the extent requested by a Member, as may be required by applicable law or as otherwise authorized by the Secretary or an Assistant Secretary, and if so issued shall be in such form as is consistent with the Memorandum of Association, Bye-Laws or applicable law. Unless so requested,

13

required or authorized, shares of the capital stock of the company will be issued in uncertificated form pursuant to the customary arrangements for issuing shares in such form. Shares so issued shall be transferable on the books of the company by the holder thereof in person or by attorney upon presentment of proper evidence of succession, assignation or authority to transfer in accordance with the customary procedures for transferring shares in uncertificated form.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** PROPOSAL 4 ADOPTING THE AMENDMENTS TO THE BYE-LAWS.

CORPORATE GOVERNANCE

Meetings and Committees of the Board of Directors

The Board of Directors of the Company had four meetings and acted by unanimous written consentonce during 2007. All directors attended at least 75% of the meetings of the Board of Directors and the committees thereof on which they served during 2007.

Independence

The New York Stock Exchange ("NYSE") listing standards require listed companies to have a board of directors with at least a majority of independent directors. The Board of Directors has determined that each current director and each nominee for election, with the exception of Mr. Crim (who is currently employed by the Company), 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. This entity is consolidated with the Company for accounting purposes but, for purposes of independence analysis, 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 considered independent.

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 audit committee is composed of independent directors in accordance with the NYSE listing standards and the rules of the Securities and Exchange Commission (the "SEC"). The audit committee reviews the scope of the Company's audit, 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.amsafety.com** in the "Committee Charting" subsection, under "Corporate Overview" in the "Investor Relations" section. The current members of the audit committee are Messrs. Brueggen (chairman), Groot and Weaver. The Board of Directors has determined that each member of the audit committee is financially literate. The Board of Directors has determined that Mr. Brueggenis qualified as an "audit committee financial expert" within the meaning of the SEC regulations, and that he, therefore, meets the requirement under the NYSE 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 has also established a procedure for the confidential and anonymous reporting of concerns regarding questionable accounting or auditing matters. The audit committee held seven meetings during 2007. 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.

The compensation committee is comprised of independent directors and recommends to the Board of Directors matters regarding executive compensation and stock options. The compensation committee operates pursuant to a written charter, a copy of which is available on our website, **www.amsafety.com** in the “Committee Charting” subsection, under “Corporate Overview” in the “Investor Relations” section. The current members of the compensation committee are Messrs. Geneen (chairman), Groot and Lackner. The compensation committee held four meetings during 2007.

The finance committee is comprised of independent directors 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 current members of the finance committee are Messrs. Birdwell, Lackner (chairman) and Weaver. The finance committee held four meetings during 2007.

The nominating and corporate governance committee is comprised of independent directors. 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.amsafety.com**in the “Committee Charting” subsection, under “Corporate Overview” in the “Investor Relations” section. The current members of the nominating and corporate governance committee are Messrs. Birdwell (chairman), Geneen and Mueller. The nominating and corporate governance committee held four meetings in 2007.

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

Executive Sessions

The independent directors meet in executive sessions, at which only independent directors are present, at each meeting of the Board of Directorsand 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 2007 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 director 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 directors to whom it is addressed. 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 Board of Directors members;
- 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 for director 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 considered at the 2009 Annual General Meeting of Shareholders, the Secretary must receive this information by January 23, 2009.

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

Name	Fees Earned or Paid In Cash ($)[1]	Stock Awards ($)[2]	Total ($)
Cody W. Birdwell	18,731	29,995	48,726
David V. Brueggen	30,058	29,995	60,053
Lawrence I. Geneen	18,338	29,995	48,333
Steven L. Groot	19,521	29,995	49,516
Frank D. Lackner	45,816	29,995	75,811
Thomas W. Mueller	40,280	29,995	70,275
William A. Robbie [3]	34,798	29,995	64,793
Jerome D. Weaver	34,497	29,995	64,498

(1) These amounts represent all fees earned for service as a director during 2007. 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 $30,000 (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 $10,000; (ii) the Audit Committee Chairman is $10,000; and (iii) the Chairman of any committee, other than the Audit Committee, is $5,000.
- Meeting Fees – Each non-employee director receives a meeting fee of $1,000 per day for which a meeting(s) is attended in person and a meeting fee of $500 per day in which a meeting(s) is attended by telephone.
- Travel Compensation – Each non-employee director receives travel compensation of $1,000 for their travel time to any meeting requested by the Company in which they are present in person. Travel 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 June 19, 2006. The aggregate number of common shares issued was 14,776.

(3) Mr. Robbie resigned from the Board of Directors effective January 19, 2008.

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.amsafety.com** 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 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. Corporate Governance Guidelines are available on our website, **www.amsafety.com** 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.

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***.

Randolph L. Hutto, age 59, has served as General Counsel and Secretary of the Company since September 2006. Prior to joining the Company, Mr. Hutto served as Executive Vice President, General Counsel and Secretary of NDC Health Corporation, a New York Stock Exchange-listed health care claims processing and information management company, from April 2004 to January 2006, and as Executive Vice President and Chief Financial Officer from November 2000 to April 2004.

Joseph D. Scollo, Jr., age 43,has served as Executive Vice President and Chief Operating Officer of the Company since January 2006. Mr. Scollo served as Executive Vice President of the Company since January 2003 and as Senior Vice President - Operations from 1998. Previously, Mr. Scollo served as Senior Vice President - Operations of United Coastal Insurance Company, New Britain, Connecticut from 1989 until 1998. Mr. Scollo has over 18 years of experience in the insurance industry. Mr. Scollo holds a certified public accountant certificate.

20

William C. Tepe, age 50, has served as Chief Financial Officer of the Company since November 2005. Mr. Tepe has over 25 years of experience in accounting, financial reporting, financial planning and corporate development. Prior to joining the Company, Mr. Tepe was the Chief Financial Officer and Global Controller for GAB Robins Inc., an international insurance claims management and adjusting company from 2000 until 2005. Mr. Tepe also has been employed in senior financial reporting and accounting positions within major property and casualty insurance companies such as W. R. Berkley Corp. and USF&G Corporation. Mr. Tepe is a certified public accountant.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Committee. As described above under ***Committees of the Board of Directors***, we have a compensation committee of the Board of Directors (the “Committee”) that consists of Messrs. Geneen (Chairman), Groot and Lackner. The Committee operates pursuant to a written charter, which is available on our website, **www.amsafety.com**. 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 Committee generally meets quarterly, and on an as-needed basis.

General Philosophy. We compensate our senior management through a combination of base salary, bonus and equity compensation that we design to be competitive with comparable employers and to align our management’s incentives with the long-term interests of our shareholders. The purpose of our compensation program generally is to develop and implement a fair, consistent and competitive program, which will attract, motivate and retain highly qualified talent. The Committee views the compensation program as a management tool that, through the setting of goals and objectives, encourages management to achieve or exceed the Company’s business objectives. In making compensation decisions, we establish target overall cash compensation and then allocate that compensation among base salary and bonus. We then determine what level, if any, of equity compensation is appropriate. At the senior management level, we design incentive compensation to reward company-wide performance by tying awards to the achievement of goals and objectives which relate to (i) our performance in such areas as growth and return on equity, (ii) individual performance and (iii) business unit performance, as discussed below under ***2007 Bonus Plan, Annual Cash Bonus*** and***Equity Compensation***. The compensation for each of our named executive officers (“NEOs”) consists of a base salary, an annual bonus, stock options, health insurance and other benefits and perquisites.

Committee Process. The Committee designs, evaluates and approves our executive compensation plans, policies and programs. The Committee annually reviews and evaluates the goals and objectives relevant to the compensation of our NEOs and annually evaluates the

performance of our Chief Executive Officer in light of those goals and objectives. In addition, the Committee reviews and approves compensation levels and compensation awards for our other NEOs recommended by the Chief Executive Officer, who reviews individual and corporate performance for the other NEOs and makes recommendations to the Committee. These recommendations are generally approved. In all cases, however, the Committee is an active participant in establishing the goals for bonuses.

The Committee also administers our equity-based compensation plan, although it has delegated to our Chief Executive Officer the authority to make limited awards to newly-hired executives and other key employees as necessary or appropriate to attract and retain highly qualified individuals to the Company. The Committee is authorized to retain experts, consultants and other advisors to aid in the discharge of its duties. The Committee reports regularly to the Board of Directors on matters relating to the Committee's responsibilities, and it is common for all of our non-employee directors to attend Committee meetings. The Committee follows regulatory and legislative developments and considers corporate governance best practices in performing its duties.

Targeted Overall Compensation for 2007. Our NEOs received a combination of base salary, cash bonus and stock options as part of their overall compensation. Base salaries are intended to be competitive with base salaries paid by comparable insurance companies. Cash bonus and stock option grants are intended to incentivize NEOs and are structured to align the interests of the NEOs with the success of the Company. With respect to Stephen R. Crim, our President and Chief Executive Officer, we considered Mr. Crim's responsibilities and his contributions to the Company's operating results during his tenure in establishing his targeted overall compensation for 2007. Although we do take into consideration compensation levels at similar or peer companies, we did not perform a formal survey of those levels nor did we retain a compensation consultant to advise us with respect to compensation levels for 2007. Given our size and what we consider modest levels of compensation, we did not believe that the benefits of these processes justify the cost. Rather we subjectively assessed the appropriate areas of compensation levels. The Chief Executive Officer reviewed the other NEO's performance and made compensation recommendations to the Committee, which were reviewed by the Committee in light of the overall compensation. The Committee followed a similar process to the process used for Mr. Crim when reviewing and approving the targeted compensation for our other NEOs, Joseph D. Scollo, Jr., our Executive Vice President and Chief Operating Officer, William C. Tepe, our Chief Financial Officer, Randolph Hutto, our General Counsel and Secretary, and Thomas Callahan, our former Senior Vice President.

Base Salaries. The base salaries for our NEOs during the year ended December 31, 2007, were established by contract in the case of Messrs. Crim, Scollo, Tepe and Hutto and by considering the performance and contribution of each of the other NEOs to the Company and to that officer's business responsibilities, as applicable. These amounts reflect levels that we concluded were appropriate based on our general experience. Our base salaries are intended to be competitive with base salaries paid by other similar insurance companies to executives with similar qualifications, experience and responsibilities, although we did not follow a formal practice in this regard. The Committee periodically discusses salary recommendations with the Chief Executive Officer with regard to other Company executive officers. These salary recommendations are generally based on an evaluation of the individual's performance of the position held, the Company's operating results, and the individual's contribution to the Company's operating results.

The compensation of our Chief Executive Officer, Stephen R. Crim, Executive Vice President and Chief Operating Officer, Joseph D. Scollo, Jr., Chief Financial Officer, William C. Tepe, and General Counsel, Randolph L. Hutto, are governed primarily by employment agreements, the material terms of which are more specifically described below under ***Employment Agreements***. These employment agreements provide for a base salary of $420,000 for Mr. Crim, $345,000 for Mr. Scollo, $315,000 for Mr. Tepe and $308,850 for Mr. Hutto effective as of August 1, 2007. Prior to August 1, 2007, the base salaries for Messrs. Crim, Scollo and Tepe were governed under their predecessor contracts under which Mr. Crim received a base salary of $400,000, Mr. Scollo received $325,000. Mr. Tepe's predecessor employment agreement provided for a base salary of $300,000 in each of 2006 and 2007. It also provided that he would be eligible for a merit increase at each annual performance evaluation, beginning April 1, 2007. Mr. Hutto's base salary prior to August 1, 2007 was based on consideration of performance, contribution to the Company and business responsibilities. Each NEO was eligible for merit raises based on a review of each individual's performance as of April 1, 2007 under which, Messrs. Crim, Scollo, Tepe and Hutto received $20,000, $20,000, $15,000 and $8,850, as the respective merit increases. The previous base salaries plus the merit increase set the basis for the base salaries detailed in each of the employment agreements entered into on August 1, 2007. Compensation, including base salary and bonus opportunity, for Mr. Callahan was based on a determination by the Chief Executive Officer, discussed with and approved by the Committee. 2007 base salary for Mr. Callahan was $255,625.

2007 Bonus Plan. In addition to base salary, for 2007 each NEO was eligible for an annual cash bonus and stock options, as discussed below, under the Company's 2007 Bonus Plan (the "Bonus Plan"). Pursuant to the Bonus Plan, participants are separated into 4 groups and the eligible bonus range target and maximum are determined by group. All Company employees are eligible for cash bonuses. All NEOs are within Group 1 (Crim, Scollo, Tepe) or Group 2 (Hutto and Callahan). The Bonus Plan is administered by our Human Resources Department, with input from the Chief Executive Officer and the Committee. The Bonus Plan is established each year and bonus awards under the Bonus Plan are based on the achievement of goals and objectives established by the Committee which relate to (i) the Company's performance in such areas as return on equity, premium growth and combined ratio (ii) individual performance and, where relevant, (iii) business unit performance. The Bonus Plan is intended to structure compensation so that the bonus represents a greater percentage of overall compensation for those executives with the greatest responsibility for the Company's success. As a result, as management responsibility increases, the bonus potential increases and goals and objectives are more heavily weighted toward overall Company performance. The goals and objectives were established by the Committee in January 2007 and consisted primarily of targets for profitability, return on equity, strategic planning and operational efficiency. The Committee established goals and objectives for 2008 in January 2008. These goals and objectives for 2008 are similar to those established for 2007, with components for return on equity, premium growth and realization of certain operational efficiencies and are more specifically described below under ***2008 Long Term Incentive Plan***.

Annual Cash Bonus. In accordance with the 2007 Bonus Plan, each of our NEOs are eligible to receive an annual cash bonus, in an amount to be determined by the Board of Directors. For the year ended December 31, 2007, Messrs. Crim, Scollo, Tepe, Hutto and Callahan earned cash bonuses in the amount of $140,000, $120,000, $105,000, $65,631 and $56,328, respectively. For Messrs. Crim, Scollo and Tepe, these amounts were based 100% on the achievement of the specified corporate performance goals pursuant to the Bonus Plan. The target bonus for each of Mr. Crim, Scollo and Tepe was 34% of their respective 2007 salaries, subject to increase or decrease in the discretion of the Compensation Committee. The performance goals for 2007 were achieved at a 75% level. Messrs. Crim, Scollo, and Tepe's respective bonuses were determined by applying 75% to the target bonus to which the Committee then exercised its discretion to increase above the 75% level so that in each case the bonus paid approximated the target bonus. Mr. Hutto's target bonus was 25% of his salary, based 50% upon achievement of the corporate performance goals and 50% upon achievement of specified personal goals. He achieved 100% of his personal goals, resulting in 50% of the target bonus, and the corporate performance goals were achieved at the 75% level, resulting in his bonus being computed at 87.5% of target. Mr. Callahan's bonus target was 25% of his salary, based 50% on corporate performance goals, 25% on his business unit goals and 25% on his personal goals. As Mr. Callahan achieved 100% of both his unit and personal goals, his bonus was computed at 87.5% of target.

Equity Compensation. The Committee believes strongly that equity-based awards are an integral part of total compensation for employees with significant responsibility for our long-term results. Incentive stock options and nonqualified stock options that are tied to corporate performance provide an effective means of delivering incentive compensation, encourage stock ownership on the part of management and align the interests of management with the interests of the shareholders. As part of our 2007 compensation program, each NEO was eligible for a stock option bonus pursuant to the Company's 2007 Incentive Stock Plan (the "2007 Plan").

The 2007 Plan was approved by our shareholders in June 2007. The 2007 Plan is intended to further the interests of the Company and its shareholders by attracting, retaining and motivating officers, employees, consultants and advisors to participate in the long-term development of the Company through stock ownership and is the successor plan to the 1998 Incentive Stock Option Plan (the "1998 Plan"). The 2007 Plan defines the incentive arrangements for eligible participants and authorizes the granting of incentive stock options, nonqualified options, restricted stock awards and other forms of equity compensation, which may be made subject to the discretion of the Committee and, for annual awards, are generally made in conjunction with the achievement of the goals and objectives detailed in the Bonus Plan as discussed above. The Committee is authorized to determine the terms and conditions of all option grants, subject to the limitations set forth in the 2007 Plan. In accordance with the terms of the 2007 Plan, the option price per share will not be less than the fair market value of the common shares on the date of grant, the term of any options granted may be no longer than ten years and there may or may not be a vesting period before any recipient may exercise any of those options. The rights of recipients receiving these stock options generally vest equally over three years, beginning with the first anniversary date of grant. However, in some instances, particularly with initial option grants to new key employees, the options vest 100% on the fifth anniversary of the grant date. Generally, the vesting of options issued under either the 1998 Plan or the 2007 Plan is accelerated in the event of a change in control of the Company. All options expire ten years from the date of grant, unless sooner exercised.

With the exception of significant promotions and new hires, we generally make these types of awards at a meeting of the Committee each year following the availability of the financial results for the prior year and prior to March 15. This timing was selected because it enables us to consider the Company's prior year performance, the performance of the potential recipients and our expectations for future years. The Committee's schedule is determined several months in advance, and the proximity of any awards to earnings announcements or other market events is coincidental. The option grants discussed below were made by the Committee in March 2008 pursuant to the 2007 Plan and based on each NEO's performance for the year ended December 31, 2007. Much like the cash bonus portion of the 2007 Plan, the 2007 Plan provides for options to be granted based on the attainment of the Company's performance goals and, in some cases, in combination with achievement of individual goals and objectives. Messrs. Crim, Scollo and Tepe's option grants were determined by applying the 75% Company performance level to the target grant level, resulting in option grants of 10,000, 7,500 and 7,500 shares, respectively. Mr. Hutto's grant was based on the 75% achievement of the Company's performance goals and 100% achievement of his personal goals, or 87.5% of target, resulting in an option grant of 5,000 shares.

Pursuant to their employment agreements, each of Messrs. Crim, Scollo, Tepe and Hutto is eligible to participate in all Company equity plans. During 2007, Mr. Crim, Mr. Scollo, Mr. Tepe and Mr. Hutto were granted options valued at $106,600, $79,950, $79,950 and $21,320, respectively under the 1998 Plan. These grants were based on each NEO's performance in 2006 and were discretionary in nature. The options were granted on March 15, 2007 at an exercise price of $19.05 per share and vest ratably over three years. Mr. Callahan did not receive any option grants during 2007.

2008 Long-Term Incentive Plan. In 2007, the Compensation Committee retained the Lockton Benefits Group to review the Company's compensation programs. Based on the results of this review, the Compensation Committee adopted the 2008 Long-Term Incentive Plan. Commencing with calendar 2008, the Compensation Committee has implemented this comprehensive, long-term incentive compensation program. The goal of our comprehensive compensation program is to fairly compensate our executives in a manner to be competitive with comparable employers and to align our executives' incentives with the short term operational and financial success of the Company and the long-term interests of our stockholders. Our compensation programs will support management's goal of hiring, retaining and rewarding qualified executives who embrace the Company's mission of providing innovative insurance solutions for specialty risks in underserved markets and who are committed to providing continuing value to our stockholders. All of our compensation programs are strategy-focused, competitive and, where appropriate, may include supplemental and perquisite programs.

Going forward, our executive compensation programs will be benchmarked to an industry-specific peer group and, where appropriate, to standardized insurance industry survey data. Compensation comparability will be determined using, among other organizational criteria, financial performance, organizational structure, number of employees, market capitalization and service offerings. Generally base compensation will be established at a level competitive with our defined peer group but in no event less than the 50th percentile of peer data. Total direct compensation will be targeted at the 75th percentile when targeted short and long term performance goals are achieved. Executives will be eligible for annual performance-based salary adjustments if they achieve pre-established performance goals and objectives.

Our management incentive plans are designed to be self-funding and provide participant target incentive awards that increase or decrease based on individual and company performance results. Incentive compensation will become a larger portion of an executive's total direct compensation as he or she assumes significant responsibilities and has a significant impact on the financial or operational success of the Company.

Where appropriate, executives will be selected to participate in the Company's supplemental or perquisite programs, depending upon comparable data, retention value of the executive and cost to the Company.

The 2008 Long-Term Incentive Plan is designed to compensate and retain those executives and key employees that contribute most to driving revenue and profitability. This philosophy represents a modification to prior year plans, which were more focused on title than revenue/profitability. Under the 2008 structure, the following groups will be eligible for stock awards or stock options in addition to a cash bonus:

Group 1 - Corporate executives, including Messrs. Crim, Scollo, Tepe and Hutto, with primary responsibility for overall corporate performance;

Group 2 - Operations executives with primary responsibility for performance of the Company's operating companies (U.S. and Bermuda) and employees with primary responsibility for key product lines results.

Group 1 will be eligible to receive performance based stock options tied directly to achieving established long term growth and profitability targets. Both groups will be eligible to receive restricted stock grants and annual performance-based cash bonus awards. Restricted stock awards are designed as an aid in retention of personnel and are not directly tied to performance. Restricted stock will vest 25% on each of the first and second anniversaries of the award, with the final 50% vesting on the third anniversary of the award. The stock options will vest on the third anniversary of the grant date, with the number of options that vest based on the three year results as compared to pre-established targets.

The long-term incentive payouts to be received by NEOs if they meet established targets, include the following (expressed as a value % of the participant's base salary):

GROUP	**CASH BONUS**	**PERFORMANCE STOCK OPTIONS**	**RESTRICTED STOCK**
1	40%	25%	15%
2	25%	N/A	10%

The Compensation Committee reserves the right to modify the bonus payout terms of the plan for select individuals deemed to contribute most to the Company's financial performance. Select NEOs, such as the Chief Executive Officer and the Chief Operations Officer, will be eligible for increased stock option grants based on the Company's long term financial performance. Any modifications to the bonus payouts as described above will be at the sole discretion of the Compensation Committee based upon recommendations made by the CEO and based on the individual's contributions to the Company's financial performance.

The performance stock options are designed to reward long term performance and will be based on achieving corporate growth and profitability targets over a three-year period as established by the Compensation Committee. Gross written premium will be the measure used for the growth target, with a 30% weighting, and return on equity will be the measure for profitability, with a 70% weighting. The weightings were established in alignment with the Company's philosophy to focus on underwriting discipline and profitability.

The cash bonus portion of the plan is designed to reward short term performance, and will be distributed based on a combination of achieving annual financial targets and established qualitative goals. The same weighting of 30%/70% (gross written premium/return on equity) for growth verses profitability will be used as respects financial targets, but a portion of the bonus will be based upon achievement of other individual qualitative goals established annually. Below is a table that describes the weightings for the annual cash bonuses:

PARTICIPANT GROUP	**CORPORATE FINANCIAL GOALS**	**GROUP FINANCIAL GOALS**	**INDIVIDUAL GOALS**
1	80%	N/A	20%
2	30%	50%	20%

To reward participants for achieving optimal results, leverage ratios will apply to performance bonus amounts for exceeding or missing financial targets. Thus, the leverage ratio will be multiplied across each target level equally to increase or decrease received bonus based upon the achievement of the financial target. The following leverage ratios will apply to both the cash bonus and stock option portions under the plan:

% ACHIEVED OF TARGET	**LEVERAGE RATIO**
120%	150%
110%	120%
100%	100%
90%	50%

The following table provides an overview of the total incentive compensation under the 2008 plan, consisting of cash bonus, performance stock options and restricted stock awards, that participants may receive depending on the level of achievement of established targets. For example, if 100% of the target is reached for the three year period, Group 1 would receive a cash bonus of 40% of salary, stock options equal to 25% of salary, and a restricted stock award equal

to 15% of salary, for total incentive compensation under the 2008 plan for that year of 80% of salary:

GROUP	BONUS AT 90% OF TARGET	TARGET BONUS	BONUS AT 110% OF TARGET	BONUS AT 120% OF TARGET
1	47.5%	80%	93%	112.5%
2	22.5%	35%	40%	47.5%

Note that the information in the table above represents the total incentive compensation, including cash, restricted stock and stock options, and are expressed as a percentage of the participant's base salary.

In the event our financial statements are restated, the awards will be adjusted to reflect those that have been earned under the restated financial statements.

Severance Benefits. We believe that companies should provide reasonable severance benefits to certain of their employees. With respect to senior management, these severance benefits should reflect the fact that it may be difficult for employees to find comparable employment within a short period of time. They should also disentangle the Company from the former employee as soon as possible. We do not have a general severance plan in place but, for certain of our NEOs, severance benefits are detailed in their respective employment agreements, as detailed in the section entitled "Potential Payments Upon Termination or Change-In-Control."

Retirement Plans The Company offers its employees a "safe harbor 401(k) plan" (the "401(k) Plan"). All employees are eligible to participate in the 401(k) Plan. Participants in the 401(k) Plan may elect to defer up to 92% of their compensation each year in lieu of receiving such amount in cash. However, a participant's total deferral each year is subject to dollar limitations that are set by law. For 2007 the limit was $15,000. This limit may be increased after 2007 for cost of living changes. In addition, participants over age 50 may elect to defer additional amounts, referred to as catch-up contributions, of up to $5,000 in 2007. In order to maintain the safe harbor status of the 401(k) Plan, the Company contributes the total amount of each participant's salary deferrals each Plan Year and makes a safe harbor matching contribution equal to 100% of the participant's salary deferrals that do not exceed 3% of the participant's compensation and 50% of the amount between 3% and 5% of the compensation. A participant is always 100% vested in amounts attributable to his or her salary deferrals. Matching contributions vest 20% per year of service beginning with the second year of service with the Company.

Change in Control. The Company has no change in control program in place, however, each of the 1998 Plan and the 2007 Plan provides for the immediate vesting of all options in the event of a change in control of the Company. None of the current employment agreements with senior executives provide for any separate benefits in connection with a change in control, although severance benefits are enhanced in the event of a termination after or in connection with a change-in-control, as discussed in the section entitled "Potential Payments Upon Termination or Change In Control."

Perquisites and Other Benefits. The Committee annually reviews the perquisites that senior management receives. The primary perquisites for senior management are the payment of a monthly car allowance and the payment of annual insurance premiums. The Committee believes that these perquisites are modest and appropriate.

Senior management also participates in the Company's other benefit plans on the same terms as other employees. These plans include medical and dental insurance and life insurance.

The value of perquisites and other benefits received by our NEOs for 2007 are shown in the Summary Compensation Table under the heading of "All Other Compensation."

Stock Ownership Guidelines. The Company does not have established stock ownership guidelines for any of its officers. The Company believes that its 2007 Plan awards sufficiently align the interests of its officers with those of its shareholders.

Employment Agreements. Stephen R. Crim was employed by the Company as its Chief Executive Officer pursuant to an employment agreement dated March 21, 2005, the term of which commenced on January 1, 2005. That contract was set to expire on December 31, 2007. Effective August 1, 2007, Mr. Crim executed a new employment agreement approved by the Committee (the "Crim Agreement") and superseding the March 21, 2005 agreement. The Crim Agreement provides for an initial term of three years, with automatic one year extensions unless either party gives notice of non-renewal at least 120 days prior to the expiration of the initial or then current renewal term. The Crim Agreement provides for a base salary for Mr. Crim in 2007 of $420,000, which may be increased pursuant to a merit increase at each annual performance evaluation. In addition Mr. Crim is eligible to receive an annual cash bonus, in an amount to be determined by the Board of Directors, in accordance with and pursuant to the Company's Bonus Plan. Mr. Crim is also eligible to participate in all Company stock option plans. The Crim Agreement provides for a monthly automobile allowance of $1,000 and up to $25,000 per year in reimbursement of the premium cost of a universal life insurance policy or other mutually agreeable similar instrument on Mr. Crim's life. The Crim Agreement further provides that Mr. Crim will be entitled to the same perquisites and fringe benefits on a basis no less favorable than any other senior executive of the Company.

Joseph D. Scollo, Jr. is employed by the Company as its Executive Vice President and Chief Operating Officer pursuant to an employment agreement dated March 21, 2005, as subsequently amended on January 1, 2006 and January 1, 2007. The term of Mr. Scollo's employment agreement commenced on January 1, 2005 and was to continue through December 31, 2007, unless sooner terminated as provided by the employment agreement. Effective August 1, 2007, Mr. Scollo entered into a new employment agreement approved by the Committee (the "Scollo Agreement") superseding the March 21, 2005 agreement. With the exception of salary and perquisite levels, the Scollo Agreement is identical to the Crim Agreement. It provides for a 2007 base salary for Mr. Scollo of $345,000, which may be increased pursuant to a merit increase at each annual performance evaluation. The Scollo Agreement provides for a monthly automobile allowance of $750 and up to $20,000 per year in reimbursement of the premium cost of a universal life insurance policy or other mutually agreeable similar instrument on Mr. Scollo's life.

William C. Tepe was employed by the Company as its Chief Financial Officer pursuant to an employment agreement dated November 14, 2005. The term of Mr. Tepe's employment agreement commenced on November 14, 2005 and was to continue through December 31, 2007, unless sooner terminated as provided by the employment agreement. Effective August 1, 2007, Mr. Tepe entered into a new employment agreement approved by the Committee (the "Tepe Agreement") superseding the November 14, 2005 agreement. With the exception of salary and perquisite levels, the Tepe Agreement is identical to the Crim Agreement. The Tepe Agreement provides for a 2007 base salary of $315,000 per year, which may be increased pursuant to a merit increase at each annual performance evaluation. The Tepe Agreement provides for a monthly automobile allowance of $700 and up to $15,000 per year in reimbursement of the premium cost of a universal life insurance policy or other mutually agreeable similar instrument on Mr. Tepe's life.

Randolph L. Hutto was employed by the Company as its Secretary and General Counsel in October 2006. Effective August 1, 2007, Mr. Hutto entered into an employment agreement approved by the Committee (the "Hutto Agreement"). With the exception of salary and perquisite levels, the Hutto Agreement is identical to the Crim Agreement. The Hutto Agreement provides for a 2007 base salary of $308,850 per year, which may be increased pursuant to a merit increase at each annual performance evaluation. The Hutto Agreement provides for the reimbursement of up to $6,500 of country club dues and up to $15,000 per year in reimbursement of the premium cost of a universal life insurance policy or other mutually agreeable similar instrument on Mr. Hutto's life.

Each of the respective employment agreements provide for certain termination provisions for Messrs. Crim, Scollo, Tepe and Hutto, which are further discussed in the section entitled "Potential Payments Upon Termination or Change In Control."

Executive Compensation

The following table sets forth information regarding the annual compensation paid to the Chief Executive Officer, Chief Financial Officer and the three other executive officers of the Company who received a combined salary and bonus in excess of $100,000 (the “Named Executive Officers”) for services rendered to the Company during the years ended December 31, 2006 and 2007:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($) [1]	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g) [2]	(h)	(i) [3]	(j)
Stephen R. Crim	2007	408,233			106,600	140,000		46,825	701,658
CEO/President	2006	380,000		-	91,000	150,000	-	41,742	662,742
Joseph D. Scollo, Jr.	2007	345,000		-	79,950	120,000		38,394	583,344
COO/Exec. VP	2006	325,000		-	68,250	130,000	-	33,277	556,527
William C. Tepe	2007	311,250		-	79,950	105,000		17,400	513,600
CFO	2006	300,000		-	-	120,000	-	17,966	437,966
Randolph Hutto	2007	306,388		-	21,320	65,631		10,191	403,530
Secretary/General Counsel	2006	96,730		-	97,600	33,750	-	-	228,080
Thomas Callahan [4]	2007	255,625				56,328		144,000	455,953
Sr. Vice President	2006	41,666				75,000			

(1) “Option Awards” dollar amount is calculated by using the fair market value of the option on the dates of grant as described in Note 13 to the Consolidated Financial Statements in the Company’s Annual Report to Shareholders as of December 31, 2007.

(2) The amounts shown in the “Non-Equity Incentive Plan Compensation” column represent cash bonuses earned under our 2007 and 2006 bonus plans and were paid in March 2008 and 2007, respectively. For a description of our bonus plan, see our discussion under the “***2007 Bonus Plan***” and “***Annual Cash Bonus***.”

(3) “All Other Compensation” includes amounts paid for car allowances for Messrs. Crim, Scollo and Tepe, the Company’s contribution to each individual’s 401(k) plan for Messrs. Crim, Scollo, Tepe and Hutto, amounts expended for annual insurance premiums for Messrs. Crim ($25,000) and Scollo ($20,000), amounts for spouses’ air travel for Messrs. Crim, Scollo, Tepe and Hutto and, in the case of Mr. Callahan, a housing allowance. ($144,000).

(4) Mr. Callahan joined the Company on October 30, 2006 and served as Senior Vice President – Underwriting of the Company’s subsidiary, American Safety Reinsurance, Ltd. until his resignation on April 22, 2008.

For a detailed description of the amounts payable to the NEOs, see our discussions under “***Employment Agreements***,” “***Base Salaries***” “***2007 Bonus Plan***” and “***Annual Cash Bonus***.”

Grants of Plan-Based Awards

The following table sets forth information with respect to the stock options granted to the NEOs during the year ended December 31, 2007:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sr)
(a)	(b)	(i)	(j)	(k)
Stephen R. Crim	3/15/2007		10,000	19.05
Joseph D. Scollo, Jr.	3/15/2007		7,500	19.05
William C. Tepe	3/15/2007		7,500	19.05
Randolph Hutto	3/15/2007		2,000	19.05
Thomas Callahan (1)				

(1) Mr. Callahan did not receive any option grants during 2007

32

Outstanding Equity Awards at Year End

The following table sets forth the outstanding option and stock awards held by the NEOs as of December 31, 2007:

Option Awards