Amtrust Financial Services, Inc.
Form 10-K/A
April 23, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No. 1)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2017
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to .
Commission File Number: 001-33143

AMTRUST FINANCIAL SERVICES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	04-3106389
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
59 Maiden Lane, 43rd Floor New York, New York	10038
(Address of Principal Executive Offices)	(Zip Code)

(212) 220-7120
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, $0.01 par value per share	The Nasdaq Stock Market LLC
Series A Preferred Stock, $0.01 par value per share	New York Stock Exchange, Inc.
Depositary Shares, each representing 1/40th of a share of 7.25% Non-Cumulative Preferred Stock, Series B	New York Stock Exchange, Inc.
Depositary Shares, each representing 1/40th of a share of 7.625% Non-Cumulative Preferred Stock, Series C	New York Stock Exchange, Inc.
Depositary Shares, each representing 1/40th of a share of 7.50% Non-Cumulative Preferred Stock, Series D	New York Stock Exchange, Inc.
Depository Shares, each representing 1/40th of a share of 7.75% Non-Cumulative Preferred Stock, Series E	New York Stock Exchange, Inc.
Depository Shares, each representing 1/40th of a share of 6.95% Non-Cumulative Preferred Stock, Series F	New York Stock Exchange, Inc.
7.25% Subordinated Notes due 2055	New York Stock Exchange, Inc.
7.50% Subordinated Notes due 2055	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	Accelerated Filer o	Non-Accelerated Filer o	Smaller Reporting Company o	Emerging Growth Company o
		(Do not check if a smaller reporting company)		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of June 30, 2017, the last business day of the registrant’s most recently completed second quarter, the aggregate market value of the common stock held by non-affiliates was $1,691,514,138.

As of April 13, 2018, the number of common shares of the registrant outstanding was 196,355,229.

Documents incorporated by reference: None.

EXPLANATORY NOTE

AmTrust Financial Services, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to amend its Annual Report on Form 10-K for the year ended December 31, 2017, originally filed with the Securities and Exchange Commission (the “SEC”) on March 16, 2018 (the “Original Filing”), to include the information required by Items 10 through 14 of Part III on Form 10-K. This information was previously omitted from the Original Filing in reliance on General Instruction G(3) to Form 10-K, which permits the information in the above referenced items to be incorporated in the Form 10-K by reference from the Company’s definitive proxy statement if such statement is filed no later than 120 days after the Company’s fiscal year-end. The Company is filing this Amendment to include Part III information in its Form 10-K because a definitive proxy statement containing such information will not be filed by the Company within 120 days after the end of the fiscal year covered by the Form 10-K. The reference on the cover of the Original Filing to the incorporation by reference to portions of the Company’s definitive proxy statement into Part III of the Original Filing is hereby deleted.

In addition, pursuant to the rules of the SEC, Item 15 of Part IV has been amended to include the currently dated certifications of the Company’s principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. The certifications of the Company’s principal executive officer and principal financial officer are filed with this Form 10-K/A as Exhibits 31.3 and 31.4 hereto. Because no financial statements have been included in this Form 10-K/A and this Form 10-K/A does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the certifications have been omitted. The Company is not including the certifications under Section 906 of the Sarbanes-Oxley Act of 2002 as no financial statements are being filed with this Form 10-K/A.

This Amendment No. 1 does not amend or otherwise update any other information in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with the Company’s filings with the SEC subsequent to the Original Filing.

AMTRUST FINANCIAL SERVICES, INC.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Board of Directors

The following is biographical information relating to each director, including his or her age, period of service, committee memberships, business and community experience, and the experience, qualifications, attributes or skills that led the Board of Directors to conclude he or she should serve as a director of the Company.

George Karfunkel and Leah Karfunkel are brother and sister-in-law. Barry Zyskind is the son-in-law of Leah Karfunkel. There are no other family relationships among our directors or executive officers.

Donald DeCarlo, 79, Director since 2006, is an attorney in private practice. Mr. DeCarlo served as the Chairman of the Board of Commissioners of the New York State Insurance Fund from 2011 until October 2012 and served as a Commissioner from 1997 through 2009. From 1996 to 2004, Mr. DeCarlo practiced in the New York offices of Lord, Bissell & Brook, LLP, a law firm, where he was managing partner prior to his departure. He is a director of Greater New York Mutual Insurance Company (an insurer that primarily underwrites large property coverages) and its subsidiaries, Greater New York Custom Insurance Company, Insurance Company of Greater New York and Strathmore Insurance Company, and several of our subsidiaries. He is also a member of National General Holdings Corp.'s ("NGHC") board of directors (see Item 13. "Certain Relationships and Related Transactions, and Director Independence"). From 1987 to 1997, Mr. DeCarlo held a number of positions with the Travelers Group's insurance companies, including serving as Senior Vice President and General Counsel of all of the companies from 1994 to 1997. From 1973 to 1986, Mr. DeCarlo was vice president and general counsel of the National Council on Compensation Insurance, a national association that collects, tabulates and provides data used in formulating rates for workers compensation insurance. Mr. DeCarlo has written three books and numerous articles on workers' compensation insurance.

Mr. DeCarlo has been selected to serve on the Board of Directors because he is a recognized expert in the workers' compensation industry. He has extensive experience representing insurance industry clients in corporate, regulatory and commercial matters.

Susan Fisch, 73, Director since 2010, has over 30 years of experience in the insurance industry as a reinsurance broker specializing in workers' compensation. From 2001 to 2009, Ms. Fisch was an executive at Willis Re, Inc., an insurance broker, where she created and directed the Workers' Compensation Practice Group that was responsible for the creation of new products, placement of workers' compensation programs, relationship coordination with reinsurers and new client prospecting. In addition, she provided guidance and strategic direction to Willis Re clients and prospects in all aspects of workers' compensation. From 1992 through 2001, Ms. Fisch was a senior vice president and team leader specializing in workers' compensation at Benfield Blanch. From 1987 through 1992, she was a reinsurance treaty broker focusing on workers' compensation at Enan & Company. From 1978 through 1987, she was employed by Thomas A. Greene Company as a facultative broker and, ultimately, as head of the casualty facultative department in the company's San Francisco office. She began her career with Towers Perrin, an actuarial company, in 1976. Ms. Fisch has been a frequent speaker at workers' compensation seminars. She is a director of several of our subsidiaries.

Ms. Fisch has been selected to serve on the Board of Directors because of her extensive knowledge of and contacts in the industry, with a specialization in workers' compensation insurance.

Abraham Gulkowitz, 69, Director since 2006, is a co-founder and partner of Brookville Advisory, an investment fund specializing in credit analysis whose predecessor is Brookville Capital, which was started in 2002 and in late 2006 was sold to Morgan Stanley Alternative Assets. Mr. Gulkowitz worked for Brookville Capital from 2002 until Brookville Advisory became independent in 2011. From 1978 to 2002, Mr. Gulkowitz served in various positions, including as a Senior Managing Director and a member of the partners' management group, at Bankers Trust/Deutsche Bank, an investment bank. His responsibilities included the analysis of economic and business issues related to leveraged financing transactions as well as mergers and acquisitions, private equity and real estate investments. Mr. Gulkowitz joined Bankers Trust in 1978 from Chase Manhattan Bank where he was a financial market analyst. Prior to that, he was an economics research assistant to Alan Greenspan. Mr. Gulkowitz is the publisher of an economic newsletter, and is also a member of the advisory board of Gryphon Investors Group, a San Francisco-based private equity firm specializing in middle market investment opportunities. He is a director of several of our subsidiaries.

Mr. Gulkowitz has been selected to serve on the Board of Directors because of his diverse and extensive financial and management experience and because he qualifies as our Audit Committee financial expert.

George Karfunkel, 69, Director since 1998, is currently the Chairman of Sabr Group, a consulting company based in New York City. Mr. Karfunkel was a director, the former Senior Vice President and co-owner of American Stock Transfer & Trust Company, LLC, a stock transfer company, which he founded in 1971 with his brother, Michael Karfunkel, and sold in 2008. Mr. Karfunkel's real estate holdings include major office buildings in New York, Chicago and several other cities, which he holds through entities he controls with Leah Karfunkel. The Karfunkels also are co-owners of Worldwide TechServices, LLC, a computer maintenance and services company. Mr. Karfunkel serves as vice chairman of The Upstate Bank, a nationally-chartered community bank, co-chairman of CheckAlt Payment Solutions, a provider of automated and electronic check transaction processing, a director of The Berkshire Bank, an independent bank based in New York, and a director of Eastman Kodak Company, a technology company focused on imaging for business.

Mr. Karfunkel has been selected to serve on the Board of Directors because he is a successful businessman with more than 46 years of experience in the ownership and management of and investment in the financial services industry, including insurance, banking and real estate. In addition, Mr. Karfunkel, together with Mr. Zyskind, are two of our founding stockholders.

Leah Karfunkel, 71, Director since 2016, is a private investor and one of our largest stockholders. She has served in various positions for community and charitable organizations, is currently on the Board of Trustees of Touro College, and is a trustee of the Hod Foundation. As the wife of one of our founders and the mother-in-law of Mr. Zyskind, our current Chairman, Chief Executive Officer and President, she has seen our company grow from its founding in 1998 to the multi-national insurance company it is today. Mrs. Karfunkel has been active in philanthropy for over 40 years.

Mrs. Karfunkel has been selected to serve on the Board of Directors because she is one of our largest stockholders who brings experience based on her family's long-standing involvement in the insurance industry, and also from her extensive exposure to other entities through her community and charitable involvement, which has helped her develop the skills and capacity to provide strategic insight and direction by encouraging innovation and evaluating strategic decisions.

Raul Rivera, 75, Director since 2016, was the Chairman, President and Chief Executive Officer of National Benefit Life Insurance Company from 2001 until January 2017. Mr. Rivera is currently a board member of Insurance Federation of New York, Inc. and one of our subsidiaries. In addition, Mr. Rivera is a member of the National Association of Insurance and Financial Advisors and a trustee of the College of Mount Saint Vincent in Riverdale, New York.

Mr. Rivera has been selected to serve on the Board of Directors because he holds over 55 years of experience in the insurance industry, including 20 years of service as board chairman for an insurance company, and because of his experience as a CEO of an insurance company.

Mark Serock, 67, Director since March 21, 2018, was employed in the Audit Practice of KPMG LLP from 1973 to 2011, and served as the audit engagement partner on many of KPMG's largest financial institution clients, and as a client service partner to select non-audit clients. He was elected to the partnership of KPMG in 1984 and served in that capacity until his retirement in 2011.

Mr. Serock was selected to serve on the Board of Directors because he holds decades of experience performing financial statement audits of public and non-public companies, including many financial services companies, giving him a deep understanding of the financial services industry and the accounting principles used, audits of financial statements, and internal controls over financial reporting.

Barry Zyskind, 46, Chairman of the Board of Directors since May 2016 and Director since 1998, has held senior management positions with the Company since 1998. He has served as our Chief Executive Officer and President since 2000. Mr. Zyskind also serves as an officer and director of many of our wholly-owned subsidiaries. Mr. Zyskind serves as non-executive chairman of the board of Maiden Holdings, Ltd. (see Item 13. “Certain Relationships and Related Transactions, and Director Independence”), and is a member of NGHC’s board of directors. Prior to joining us, Mr. Zyskind was an investment banker at Janney Montgomery Scott, LLC in New York. Mr. Zyskind is Leah Karfunkel’s son-in-law.

Mr. Zyskind has been selected to serve on the Board of Directors because of his position as our Chief Executive Officer, his role in our profitable growth both before and after we became a public company, his knowledge of the industry and his experience in corporate finance. In addition, Mr. Zyskind, together with George Karfunkel, are two of our founding stockholders.

Executive Officers

Set forth below are descriptions of the backgrounds of each of our executive officers, other than Barry Zyskind, whose background is described above under “Board of Directors.”

Max Caviet, 65, Chief Executive Officer of AmTrust International Limited (“AIL”) since 2016, joined the Company in January 2003, and served as President of AmTrust International Insurance Limited from 2003-2015, and Chief Executive Officer of AmTrust Europe, Ltd. from 2010-2015. Mr. Caviet also serves as an officer and director of several of our subsidiaries. From 1994 to 2003, Mr. Caviet was Engineering and Underwriting Manager with Trenwick International Limited. From 1990 to 1994, Mr. Caviet was with Crowe Underwriting Agency Ltd. as its Engineering and Extended Warranty Underwriter. In 1982, Mr. Caviet joined CIGNA Insurance Company of North America (UK) Ltd. as a Senior Underwriter for Special Risks and was promoted to Engineering and Underwriting Manager. Between 1972 and 1982, Mr. Caviet was an underwriter and team leader, specializing in engineering risks, at British Engine Insurance Company.

Ariel Gorelik, 38, Senior Vice President, Chief Information Officer since August 2017, joined the Company in 2014 as Senior Vice President AmTrust North America operations, and in January 2016 was promoted to Chief Operating Officer of one of the Company’s former operating subsidiaries in the U.S. Prior to joining the Company, Mr. Gorelik held a number of senior operational roles with international property and casualty insurers including Zurich and Allianz.

Adam Karkowsky, 43, Executive Vice President, Chief Financial Officer since June 2017, joined the Company in March 2011 and previously served as Executive Vice President - Strategic Development and Mergers & Acquisitions. Mr. Karkowsky also serves as an officer and director of several of our subsidiaries. Prior to joining the Company, Mr. Karkowsky served in various finance and strategy roles in the private equity and insurance industries, including as Vice President, Mergers & Acquisitions Insurance Group at American International Group, Inc. (“AIG”), an insurance company.

Christopher Longo, 44, Executive Vice President, Chief Operating Officer since 2016, joined the Company in 2001. Mr. Longo served as Chief Information Officer from 2006-2017. Prior to joining the Company, Mr. Longo served in a number of functions with Credit General Insurance Company including as a commercial lines underwriter, actuarial analyst and regulatory compliance officer.

Ronald Pipoly, Jr., 51, Executive Vice President - Finance since June 2017, joined the Company in 2001 and was Chief Financial Officer from 2005 to June 2017. From 1993 to 2001, Mr. Pipoly served as Financial Analyst, Assistant Controller, and ultimately Controller at PRS Group, Inc., a property and casualty insurance holding company in Beachwood, Ohio. Mr. Pipoly began his career at Coopers and Lybrand, an accounting firm, where he worked from 1988 through 1993.

David Saks, 51, Executive Vice President and Chief Legal Officer since he joined the Company in May 2009, previously held a number of positions at AIG from April 1999 to May 2009. His responsibilities there included overseeing the legal aspects of all of AIG’s domestic and international mergers and acquisitions, joint ventures and strategic investments. In addition, Mr. Saks was responsible for overseeing the legal aspects of AIG’s operations and systems, e-commerce, sourcing and real estate leasing. Mr. Saks began his career at Simpson Thacher & Bartlett, where he worked from December 1994 through March 1999.

Michael Saxon, 59, Executive Vice President - U.S. Commercial Lines since 2016, joined the Company in 2001 and served as Chief Operating Officer from 2005-2016. Prior to joining the Company, he was Chief Claims Officer for Credit General Insurance Company, a property and casualty insurer. In 1984, Mr. Saxon began his career at Liberty Mutual, an insurance company. Thereafter, Mr. Saxon joined Progressive Insurance Company, where he held successively more responsible management positions in the Claims Department over an eight-year period.

Stephen Ungar, 55, Senior Vice President, General Counsel and Secretary, joined the Company in 2001 and has been Secretary since 2005 and General Counsel since 2001. Mr. Ungar also serves as an officer and director of many of our subsidiaries. From 1990 to 2001, Mr. Ungar served as Special Counsel and Managing Attorney with the State of New York Insurance Department Liquidation Bureau. Between 1987 and 1990, Mr. Ungar was an associate at Hendler and Murray and Kroll and Tract in New York.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and greater than 10% stockholders to file reports of ownership and changes of ownership of our common stock and derivative securities with the SEC. To our knowledge, based solely on our review of copies of reports furnished to us and written representations that no other reports were required, during fiscal year 2017, all Section 16(a) filing requirements applicable to our directors and executive officers and greater than 10% stockholders were timely met.

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees, including our principal executive officer and principal financial officer, is available in the "Corporate Governance" section of the Investor Relations page of our website, http://ir.amtrustfinancial.com. We intend to disclose any amendments or waivers to the Code of Business Conduct and Ethics on our website. Information included on our website is not part of this Form 10-K/A.

Audit Committee

Our Audit Committee's role includes the oversight of our financial, accounting and reporting processes; our system of internal accounting and financial controls; and our compliance with related legal and regulatory requirements. The Audit Committee oversees the appointment, engagement, compensation, termination and oversight of our independent auditors, including conducting a review of their independence, reviewing and approving the planned scope of our annual audit, overseeing our independent auditors' audit work, reviewing and pre-approving any audit and non-audit services (including the fees and terms thereof) that may be performed by our independent auditors, reviewing with management and our independent auditors the adequacy of our internal financial and disclosure controls, reviewing our critical accounting policies and the application of accounting principles, and ensuring the rotation of partners of our independent auditors on our audit engagement team as required by law. The Audit Committee establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee's role also includes meeting to review our annual audited financial statements and quarterly financial statements with management and our independent auditors.

The Chair of our Audit Committee is Mr. Gulkowitz, and the other members of the Audit Committee are Mr. DeCarlo and Ms. Fisch. Each member of the Audit Committee meets the independence criteria prescribed by applicable law and the rules of the SEC and Nasdaq for audit committee membership and is an "independent director" within the meaning of applicable Nasdaq listing standards. Each Audit Committee member meets Nasdaq's financial literacy requirements, and the Board has further determined that Mr. Gulkowitz is an "Audit Committee financial expert," as defined in Item 407(d)(5) of Regulation S-K promulgated by the SEC and also meets Nasdaq's professional experience requirements. The Audit Committee acts pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and Nasdaq, which can be found on the Investor Relations section of our website (http://ir.amtrustfinancial.com).

Item 11. Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis explains the material elements of the compensation awarded to, earned by, or paid to each of our named executive officers during the last completed fiscal year. In 2017, our named executive officers were Barry Zyskind (Chairman, Chief Executive Officer and President), Adam Karkowsky (Executive Vice President, Chief Financial Officer from June 2017 through year end and Executive Vice President - Strategic Development and Mergers & Acquisitions until June 2017), Ronald Pipoly, Jr. (Executive Vice President, Chief Financial Officer until June 2017, Executive Vice President - Finance from June 2017 through year end), Max Caviet (Chief Executive Officer of AIL), Christopher Longo (Executive Vice President - Chief Operating Officer) and Michael Saxon (Executive Vice President - U.S. Commercial Lines).

Overview

The objectives of our executive compensation program are to retain the executives who have been integral to our growth, to attract other talented and dedicated executives and to motivate each of our executives to increase our overall profitability and stockholder value. To achieve these goals, we offer each executive an overall compensation package, which is competitive and retentive and ties a meaningful portion of total compensation to the achievement of specific performance objectives and stock price appreciation.

Our overall strategy is to compensate our named executive officers with a mix of cash compensation, in the form of base salary and annual incentives, and equity compensation, in the form of performance shares, restricted stock or restricted stock units.

Our policy for setting compensation for our named executive officers has focused on levels we believe are, based on our independent market research, competitive for executives at companies of similar size, performance and growth, operating primarily in the insurance industry. Compensation decisions have been made by the Compensation Committee and the Board of Directors in consultation with our Chief Executive Officer, other than with respect to the Chief Executive Officer’s compensation, which is determined solely by the Compensation Committee. In 2017, the Compensation Committee hired Meridian Compensation Partners, LLC as its independent compensation consultant to assist with the formulation of the annual incentive compensation award program for our named executive officers and to consult on award architecture, performance criteria, tax consequences and other disclosure items contained in this proxy statement.

We believe that the compensation levels for our named executive officers are competitive and do not encourage them to take unnecessary or excessive risks. We expect that our compensation policies will continue to evolve to reflect our position in the market while remaining competitive and will take into account governance best practices.

Decisive Actions during 2017 to Improve Company Performance

As discussed throughout the Form 10-K filed on March 16, 2018 (the “Original Filing”), 2017 was a transitional year for us. Our acquisition activity slowed as we took actions to strengthen our balance sheet and capital base and focus on our core business. This transition from growth to balance sheet strengthening followed several significant events in 2017, including the delayed filing of our annual report on Form 10-K for the year ended December 31, 2016 and a restatement of our consolidated financial statements for fiscal years 2015 and 2014, material weaknesses in our internal control over financial reporting as a result of our year-end 2016 and 2017 assessments, and adverse loss development trends in all three of our operating segments.

In addition, we undertook several transformative transactions in 2017 including a $300 million private placement of common stock in May 2017, the June 2017 sale of substantially all of the shares of common stock we owned in NGHC for approximately $211.7 million, our entry into an adverse loss development cover agreement effective June 30, 2017, and the sale of our personal lines policy management system that we had developed for NGHC, and related intellectual property, to NGHC for $200.0 million. In addition to these and other measures, we also commenced a process to monetize our U.S.-based fee business that concluded in February 2018 with the transfer of the U.S.-based fee business to Mayfield and MH JV Holdings L.P.'s acquisition of a majority interest in Mayfield (additional information about this last transaction is presented in Note 28. "Subsequent Events" to our consolidated financial statements appearing in the Original Filing).

While our 2017 financial results and stock price performance were disappointing, we accomplished important steps to position ourselves for the future, including adding several new key leaders and restructuring the management team. In 2017, our Compensation Committee determined that the financial goals and performance targets we had established in past years would not be achieved to result in a payout of annual incentive opportunities for our named executive officers. However, the Compensation

Committee recognized the significance and quality of the contributions made by our named executive officers to our strategy and their leadership through this transitional year.

Changes in our Executive Management Team

The position of Executive Vice President - Chief Financial Officer transitioned from Mr. Pipoly to Mr. Karkowsky effective with our Board of Directors' approval on June 2, 2017. Mr. Karkowsky most recently served as our Executive Vice President - Strategic Development and Mergers & Acquisitions. Ronald Pipoly, Jr. our Chief Financial Officer since 2005, is now Executive Vice President - Finance. As a result of this change in responsibilities, we entered into new employment agreements with both Mr. Karkowsky and Mr. Pipoly, the specifics of which are discussed under Item 11. "Executive Compensation - Employment Agreements."

In addition, the position of Chief Information Officer transitioned from Mr. Longo to Mr. Gorelik in August 2017. Mr. Longo, our Chief Information Officer since 2006, continues as our Executive Vice President - Chief Operating Officer, a position to which he was appointed in 2016. Mr. Gorelik was promoted from his previous position as Chief Operating Officer of AMT Warranty, one of our former U.S. operating subsidiaries that was transferred as part of the U.S.-based fee business transaction mentioned above. In December 2017, we amended Mr. Longo's employment agreement to reflect his change in title and responsibilities and to adjust his formulaic annual profit bonus. We did not enter into an employment agreement with Mr. Gorelik.

Executive Compensation

Our executive compensation program includes the following pay elements:

Base Salary

We aim to provide each of our named executive officers with an annual salary at a level consistent with individual experience, skill and contribution to our business. When setting base salary, we consider the totality of the circumstances with respect to each individual as well as market data; however, we do not set base salaries to arrive at a targeted percentile based on peer group pay data. We believe our financial performance reflects the loyalty and commitment of our named executive officers, who all have been with us for at least seven years and who joined us at compensation levels that reflected our smaller size at the time each joined the Company. These key members of our management team are essential to our organization and their salary levels reflect our determination of the appropriate compensation necessary to retain each of them.

The salaries of our named executive officers are reviewed on an annual basis. The Compensation Committee sets our Chief Executive Officer's base salary, which reflects his primary role in the success of the Company. The Compensation Committee also sets base salaries of each of the other named executive officers primarily based on our Chief Executive Officer's recommendations and his assessment of individual performance. The assessment includes a consideration of the degree to which each named executive officer contributed to our overall profitability, and the operational performance of the segments or aspects of the business for which the named executive officer has primary responsibility. In addition, our Chief Executive Officer's recommendation on each named executive officer's base salary includes consideration of compensation data gathered from his discussions with newly hired senior managers and his knowledge of our industry.

Mr. Karkowsky's salary increased from $550,000 to $700,000 in connection with his promotion to Chief Financial Officer. The Compensation Committee did not adjust the salary levels of any of our other named executive officers in 2017. Mr. Zyskind's salary has not changed since 2010, Mr. Caviet's salary last increased in 2013, and Messrs. Pipoly's, Longo's and Saxon's salaries were last increased in 2015.

Annual Profit and Discretionary Bonuses

Annual Profit Bonuses

Historically, bonuses paid to our named executive officers were dependent on and tied to our financial performance, and, absent special circumstances considered by the Compensation Committee, were paid only when we met pre-determined performance criteria. Our annual profit bonus program was designed to reward each named executive officer for his contributions to our profitability for the fiscal year. The employment agreements for Mr. Zyskind and Mr. Caviet specify the annual bonus targets for each executive. For a further discussion of the annual bonus targets contained in Mr. Zyskind's and Mr. Caviet's employment agreements, see Item 11. "Executive Compensation - Employment Agreements."

Annual profit bonuses paid to Mr. Zyskind and Mr. Caviet are equal to a pre-determined percentage of profits and subject to an annual cap that is based on a multiple of the officer's base salary, as set forth in their respective employment agreements. The Compensation Committee selected the performance metrics in Mr. Zyskind's and Mr. Caviet's employment agreements that they believed were most closely aligned to stockholder value creation. The annual profit bonuses for Messrs. Zyskind and Caviet are subject to the Company meeting certain percentage increases over profit thresholds. Mr. Zyskind and Mr. Caviet are also eligible to receive a discretionary bonus, as determined by our Compensation Committee. Mr. Karkowsky's new employment agreement makes him eligible for a discretionary incentive bonus to be determined in the sole discretion of the Compensation Committee. Mr. Longo and Mr. Saxon are also eligible for discretionary incentive bonuses to be determined in the sole discretion of the Compensation Committee. The terms of Mr. Pipoly's bonus eligibility are set forth in his amended and restated employment agreement with the Company and are described in detail below.

The annual profit bonus and discretionary bonuses payable to our named executive officers can be paid in cash or stock options, restricted stock, restricted stock units or other form of equity, as determined by our Compensation Committee in its sole discretion. Given Mr. Zyskind's current equity ownership of approximately 15% of the Company, his annual profit bonus pursuant to his employment agreement is payable only in cash. However, any discretionary bonus could be payable in cash or equity.

Mr. Zyskind's 2017 Annual Profit Bonus. Mr. Zyskind's employment agreement provides for an annual profit bonus equal to two percent of our pre-tax profits for the fiscal year, provided that our pre-tax profit equals or exceeds $75 million, subject to an annual cap of four times his base salary. Profit is defined in Mr. Zyskind's employment agreement as our revenues less expenses, determined in accordance with generally accepted accounting principles on a consistent basis. We recognized a pre-tax loss ("Net loss attributable to AmTrust Financial Services, Inc." before "provision for income taxes" in our financial statements) for fiscal year 2017, meaning Mr. Zyskind was not eligible for an annual profit bonus in 2017.

Mr. Caviet's 2017 Annual Profit Bonus. Mr. Caviet's annual profit bonus is equal to ten percent of our pre-tax net operating income arising from specialty risk and extended warranty business written by us and our affiliates under the direct or indirect supervision of Mr. Caviet, exclusive of extraordinary items and investment income or loss (referred to as "subject profits"). Mr. Caviet will receive an annual profit bonus as long as the subject profits are no less than 75% of the greater of the subject profits in the preceding calendar year or the base line subject profit from calendar year 2008. Mr. Caviet's annual profit bonus may not exceed the profit bonus cap, which is an amount equal to (x) three times Mr. Caviet's then current base salary if the subject profits are more than 110% of the profit target; (y) two times Mr. Caviet's then current base salary if the subject profits are 110% or less, but greater than 100% of the profit target; and (z) Mr. Caviet's then current base salary if the subject profits are 100% or less, but equal to or greater than 75% of the profit target. Subject profits for fiscal year 2017 were less than 75% of the subject profits, therefore, Mr. Caviet did not receive an annual profit bonus for 2017.

Discretionary Bonuses

As discussed above under "Decisive Actions during 2017 to Improve Company Performance", our 2017 financial results did not generate an incentive compensation pool, resulting in total compensation for all named executive officers well below target for 2017. However, the Compensation Committee believes that in 2017 management worked extremely hard and made significant progress towards positioning the business for future success, as discussed above.

To provide recognition of the importance of successfully completing the transitional steps and transformative transactions discussed above, and the resulting value brought to the Company and its stockholders, the Compensation Committee made discretionary bonus payments to our named executive officers other than Mr. Pipoly in the form of 50% restricted stock units that vest over four years and 50% cash, equal in each case to one times the named executive officer's salary. Mr. Pipoly's bonus is described below.

As a result of compensation decisions made by the Compensation Committee in the years leading up to and including 2017 based on business challenges that began in 2015, our Compensation Committee has reduced executive compensation significantly, including reducing Mr. Zyskind's total compensation by a total of 91% since 2014 levels, as follows:

- 2015 total compensation reduced by 37% versus 2014 total compensation;
- 2016 total compensation reduced by 65% versus 2015 total compensation; and
- 2017 total compensation reduced by 60% versus 2016 total compensation.

The Compensation Committee believes strongly that the entire management team - and the Chief Executive Officer in particular - is ultimately accountable to stockholders and that compensation should be closely aligned with stockholders. This is why we have consistently delivered a significant portion of total compensation in the form of equity, making executive compensation highly sensitive to stock price movement. Therefore, in addition to the reductions to executive compensation described above, the personal wealth of executives has also been significantly impacted given this alignment to stockholders. Although we do not have formal stock ownership guidelines for officers, we expect our named executive officers to hold meaningful amounts of our equity, and our compensation practices support this goal by weighting significant amounts of compensation toward equity. The table set forth below indicates each named executive officer's ownership as a multiple of his current annualized salary, assuming a market value of $12.53, the closing price of our Common Stock on April 13, 2018.

Name	Number of Shares Owned Directly	Ownership Level as a Multiple of Base Salary
Barry Zyskind	13,883,938	178.4
Adam Karkowsky	58,737	1.1
Ronald Pipoly, Jr.	262,358	4.7
Max Caviet	426,549	7.2
Christopher Longo	662,993	12.8
Michael Saxon	552,953	9.9

Mr. Pipoly's Bonus

Mr. Pipoly's amended and restated employment agreement provides that he was eligible to receive a cash bonus of $500,000 upon the earlier to occur of June 30, 2017 or five days after our filing of our amended quarterly reports on Form 10-Q for the quarters ended June 30, 2016 and September 30, 2016, and $500,000 within 30 calendar days of our filing of each of our quarterly reports on Form 10-Q for the quarters ended June 30, 2017 and September 30, 2017, both payments of which were contingent upon our timely filing of the quarterly reports with no further errors requiring restatement of our consolidated financial statements, and no identification of additional material weaknesses in our internal control over financial reporting. Each of these events occurred, resulting in a cash bonus paid to Mr. Pipoly in 2017 of $1,500,000.

Other Special Discretionary Bonuses

In the first quarter of 2017, prior to his appointment as our Chief Financial Officer, Mr. Karkowsky was charged with establishing and managing an effective process to complete our financial reporting requirements, respond to requests for information from our auditors and for resolving auditor inquiries. Mr. Karkowsky successfully established and managed this process, which greatly facilitated our working relationship with our auditors and was a significant factor in the completion of the audit of our 2016 financial statements and filing of our Form 10-K for the year ended 2016. In recognition of his efforts, which, at the time, were outside the ordinary course of his daily responsibilities, the Compensation Committee, in April 2017, awarded Mr. Karkowsky a $1,000,000 cash bonus.

In November 2017, the Compensation Committee awarded Mr. Longo a $1,000,000 cash bonus in recognition of both his direct involvement and his leadership in the development and support of the policy management system that generated significant fee income for us since the inception of the NGHC relationship in March 2010, which we sold to NGHC at a gain in September 2017.

The bonuses awarded to each named executive officer for 2017 are shown in the "Summary Compensation Table for Fiscal Year 2017" in the "Bonus," and "Stock Awards" columns and in the "Grants of Plan-Based Awards for Fiscal Year 2017" table.

Stock and Stock-Based Grants

Stock-based awards are a critical component of our executive compensation policy as equity ownership helps closely align our named executive officers' interests to those of our stockholders. We grant stock-based awards to our employees and named executive officers to provide an incentive to promote our success, to enhance stock price and to remain in our service. All of our full-time employees, including our named executive officers, are eligible to receive grants of stock-based awards at the discretion of our Compensation Committee, which oversees the administration of the 2010 Omnibus Incentive Plan.

The Compensation Committee has made, and may in the future elect to make, grants of restricted stock units to our named executive officers. Generally, 25% of the restricted stock units vest on each of the first four anniversaries of the grant date, based upon continued employment. This year, given the atypical timing of the Compensation Committee's determination of awards, the restricted stock units granted to certain named executive officers on March 27, 2018 will vest on each of March 5, 2019, 2020, 2021 and 2022, which has been the historical grant date for named executive officer awards in recent years. As discussed above under "Executive Compensation - Annual Profit and Discretionary Bonuses", on March 27, 2018, the Compensation Committee granted 39,157 restricted stock units to Mr. Zyskind, 28,113 restricted stock units to Mr. Karkowsky, 29,848 restricted stock units to Mr. Caviet, 26,105 restricted stock units to Mr. Longo, and 28,113 restricted stock units to Mr. Saxon, in each case representing one-half of the executive’s discretionary annual bonus for 2017. Restricted stock units convey no dividend, dividend equivalent or voting rights.

Retirement Plan

We do not provide a qualified or non-qualified pension plan for our named executive officers. All of our U.S.-based employees who have been employed for at least three months, however, are eligible to participate in a defined contribution plan under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to defer up to 75% of their compensation to the plan on a pre-tax basis, subject to the applicable dollar limit set by the Internal Revenue Service. We make a Company contribution of up to 50% of an employee&#821