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Amtrust Financial Services, Inc.
Form 10-Q
May 10, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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

For the transition period from _____ to _____

Commission file no. 001-33143

AmTrust Financial Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3106389
(IRS Employer
Identification No.)

59 Maiden Lane, 43rd Floor, New York, New York
(Address of principal executive offices)

10038
(Zip Code)

(212) 220-7120
(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act).

Yes No

As of May 2, 2016, the Registrant had one class of Common Stock (\$.01 par value), of which 173,865,382 shares were issued and outstanding.

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

AMTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheet

(In Thousands, Except Par Value)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost \$6,221,739; \$5,482,042)	\$6,307,719	\$5,433,797
Equity securities, available-for-sale, at fair value (cost \$110,594; \$109,346)	98,518	104,497
Equity securities, trading, at fair value (cost \$28,142; \$26,937)	29,891	27,271
Short-term investments	34,008	84,266
Equity investment in unconsolidated subsidiaries – related party	146,000	138,023
Other investments (related party \$68,860; \$64,869; recorded at fair value \$42,322; \$30,309)	126,875	99,012
Total investments	6,743,011	5,886,866
Cash and cash equivalents	998,282	931,970
Restricted cash and cash equivalents	359,876	380,699
Accrued interest and dividends	57,179	51,487
Premiums receivable, net	2,376,689	2,115,653
Reinsurance recoverable (related party \$2,282,432; \$1,963,140)	3,097,192	3,008,670
Prepaid reinsurance premium (related party \$1,184,742; \$1,066,961)	1,633,866	1,531,866
Other assets (related party \$206,298; \$189,223; recorded at fair value \$294,573; \$264,001)	1,247,886	1,398,064
Deferred policy acquisition costs	761,802	704,243
Property and equipment, net	292,381	281,456
Goodwill	426,268	432,700
Intangible assets	361,289	367,345
	\$18,355,721	\$17,091,019
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Loss and loss adjustment expense reserves	\$7,516,089	\$7,208,367
Unearned premiums	4,290,528	4,014,728
Ceded reinsurance premiums payable (related party \$571,754; \$379,988)	851,192	651,051
Accrued expenses and other liabilities (related party \$167,975; \$167,975; recorded at fair value \$101,655; \$132,558)	1,379,985	1,140,830
Debt	993,028	989,356
Total liabilities	15,030,822	14,004,332
Commitments and contingencies		
Redeemable non-controlling interest	1,332	1,172
Stockholders' equity:		
Common stock, \$0.01 par value; 500,000 shares authorized; 196,455 issued, 175,400 and 175,915 outstanding in 2016 and 2015, respectively	1,965	1,964
Preferred stock, \$0.01 par value; 10,000 shares authorized; 5,112 and 4,968 issued and outstanding; \$626,250 and \$482,500 aggregated liquidation preference in 2016 and 2015, respectively.	626,250	482,500
Additional paid-in capital	1,381,282	1,383,492
Treasury stock at cost; 21,054 and 20,540 shares in 2016 and 2015, respectively	(177,071)	(162,867)

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Accumulated other comprehensive loss, net of tax	(97,348) (130,262)
Retained earnings	1,408,177	1,334,233	
Total AmTrust Financial Services, Inc. equity	3,143,255	2,909,060	
Non-controlling interest	180,312	176,455	
Total stockholders' equity	3,323,567	3,085,515	
	\$18,355,721	\$17,091,019	

See accompanying notes to unaudited condensed consolidated financial statements.

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AmTrust Financial Services, Inc.
 Condensed Consolidated Statements of Income
 (Unaudited)
 (In Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2016	2015
Revenues:		
Premium income:		
Net written premium	\$1,220,679	\$1,043,189
Change in unearned premium	(146,397)	(93,812)
Net earned premium	1,074,282	949,377
Service and fee income (related parties - \$20,163, \$17,404)	144,201	112,886
Net investment income	49,415	34,573
Net realized and unrealized gain on investments	7,975	15,653