

AMTRUST FINANCIAL SERVICES, INC.

FORM 8-K

(Current report filing)

Filed 09/05/08 for the Period Ending 09/04/08

Address	59 MAIDEN LANE 6TH FLOOR NEW YORK, NY 10038
Telephone	(212) 220-7120
CIK	0001365555
Symbol	AFSI
SIC Code	6411 - Insurance Agents, Brokers, and Service
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) September 4, 2008

AmTrust Financial Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware

001-33143

04-3106389

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

59 Maiden Lane, 6th Floor, New York, New York

10038

(Address of principal executive offices)

(Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.133-4 (c))
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Item 7.01 REGULATION FD DISCLOSURE

On September 4, 2008, AmTrust Financial Services, Inc. (AmTrust) presented an overview of AmTrust's operations at the Keefe, Bruyette & Woods (KBW) Insurance Conference being held on September 3 and 4, 2008. A copy of the presentation is attached as Exhibit 99.1 hereto.

The information furnished in this report on Form 8-K shall not be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit Number	Description
99.1	Presentation to the 2008 Keefe, Bruyette & Woods (KBW) Insurance Conference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AmTrust Financial Services, Inc.
(Registrant)

Date September 5, 2008

/s/ Ronald Pipoly
Ronald Pipoly
Chief Financial Officer



AmTrust Financial



Forward Looking Statements

This presentation may include forward-looking statements. These forward-looking statements include comments with respect to our objectives and strategies, and the results of our operations and business.

By their nature, however, these forward-looking statements involve numerous assumptions, risks, uncertainties and opportunities, both general and specific. The risk exists that these statements may not be fulfilled. Investors should not place undue reliance on these forward-looking statements as a number of factors could cause future company results to differ materially from these statements.

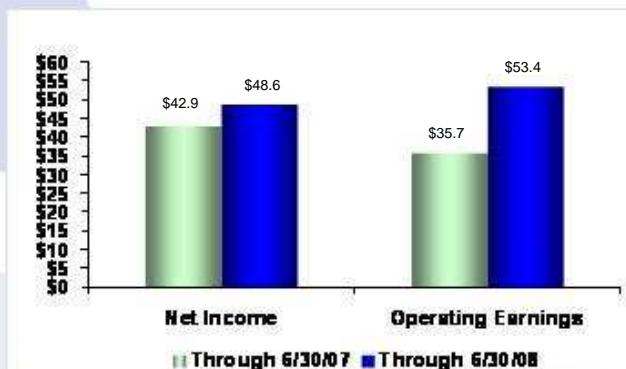
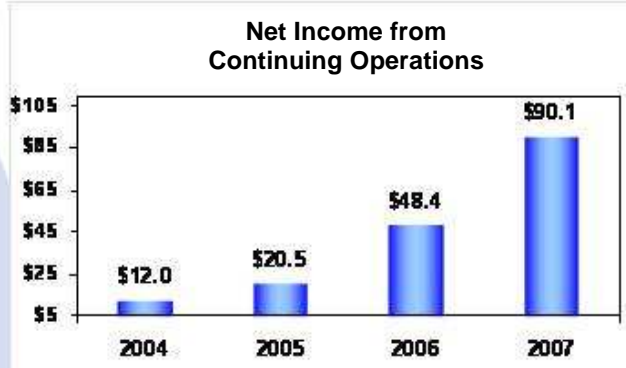
Potential risks and uncertainties include effects of government regulation, the outcome of our efforts to manage growth, the extent to which our premium rates and reserves are adequate, the extent of availability of reinsurance on favorable terms, changes in our financial ratings, the outcome of our efforts to enter our new specialty middle-market property and casualty segment, ability to retain and recruit key executives and other key personnel and changes in general economic conditions, including inflation and other factors.

When relying on forward-looking statements to make decisions, investors should carefully consider the aforementioned factors as well as other uncertainties and events including those discussed in the “Forward-Looking Statements” and “Risk Factors” sections of the prospectus.

Who We Are

- **Multinational specialty property and casualty insurance company**
 - **NASDAQ ticker symbol “AFSI”**
 - **Inside ownership 57%**
 - **“A-” rating from A.M. Best**
- **We focus on underserved, niche markets:**
 - **Low hazard**
 - **Predictable**
 - **Non-catastrophic**
 - **Low volatility**
- **Historical organic premium growth of over 15% annually**
- **High ROE business model (24.2% annualized through 6/30/08)**

Company Financial Highlights



All graphs represent figures in millions

*Includes 19.3 MM as part of one time unearned premium transfer

Business Overview

Mix of Business

Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Middle-Market P&C Insurance
<ul style="list-style-type: none"> ▪ \$182.1* MM GPW through 6/30/08 ▪ \$308.8 MM GPW in 2007 	<ul style="list-style-type: none"> ▪ \$215.1 MM GPW through 6/30/08 ▪ \$306.4 MM GPW in 2007 	<ul style="list-style-type: none"> ▪ \$119.4 MM GPW through 6/30/08 ▪ \$224.2 MM GPW in 2007
<ul style="list-style-type: none"> ▪ US only (40 states and DC) ▪ Main Street small businesses <ul style="list-style-type: none"> ▪ Low-hazard ▪ Typically underserved by larger carriers 	<ul style="list-style-type: none"> ▪ Europe, US ▪ Warranty coverage for selected consumer and commercial goods ▪ 55% of GPW in 2007 was written outside US 	<ul style="list-style-type: none"> ▪ US only (nationwide) ▪ Low hazard ▪ Specialty commercial programs with MGAs

*Does not include 19.3 MM one time unearned premium transfer

Small Commercial Business

We focus on low hazard small businesses

Target Customers

- Low to mid hazard small businesses
 - Restaurants
 - Retail
 - Professional offices
- Workers' comp average premium under \$5,000
- Average 6 employees
- Competitors include state funds and regional carriers

AmTrust Approach

- Cost efficient expense control
- Paperless proprietary underwriting system
 - Risks individually underwritten
 - Prompt response to agents and insureds
- 9,000 active agents

Result

- \$182.1* MM through 6/30/08
- \$308.8 MM GPW in 2007
- Historically high retention and renewal rates (over 80%)
- Combined ratio of 76.5%** through 6/30/08
- Combined ratio of 81.7% for 2007

*Does not include 19.3 MM one time
includes benefit from unearned
premium transfer

AmTrust
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Specialty Risk and Extended Warranty

We provide extended warranties for a wide range of consumer and commercial goods

Target Customers

- Manufacturers and retailers of consumer and commercial goods
 - Benefit from profit center or cost reduction
- Low-hazard
 - Non-catastrophic
- Covered products include yellow goods and laptops

AmTrust Approach

- Extensive front-end diligence and actuarial review for each new product and client
- Develop customized and strictly defined policy forms that fit the needs of the client
- Proactively managing claims and adjusting premiums if needed

Result

- \$215.1 MM through 6/30/08
- \$306.4 MM GPW in 2007
- Cost effective for warranty buyer
- Europe (55% of GPW for 2007)
- Combined ratio of 77.3% through 6/30/2008
- Combined ratio of 80.8% for 2007

Specialty Middle Market P&C

Expansion of workers' comp, general liability & commercial auto and property coverage

Target Customers

- Retail, wholesale, service operations
 - Workers' compensation
 - General liability
 - Commercial auto liability
- Distributed through wholesalers with geographic and product expertise

AmTrust Approach

- Extensive front-end diligence and actuarial review for each new product and client
- Develop customized and strictly defined policy forms that fit the needs of the client
- Leverage proprietary technology systems to process business efficiently
- MGA shares in the underwritten risk

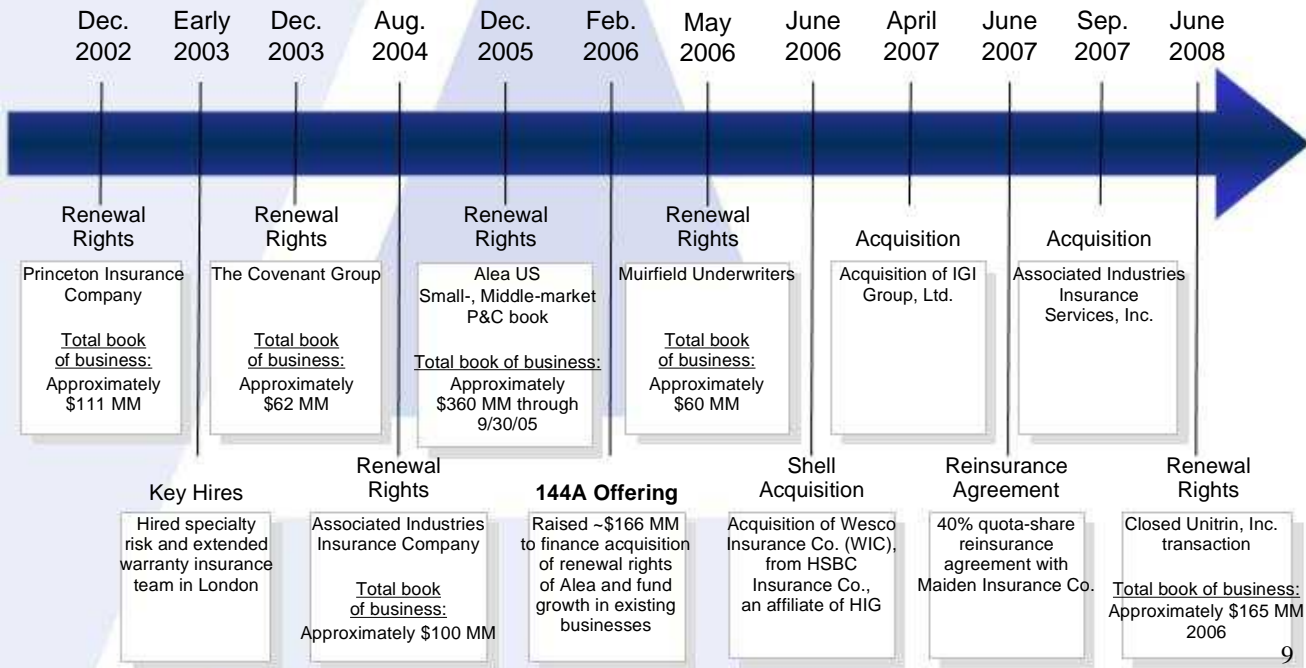
Result

- \$119.4 MM through 6/30/08
- \$224.2 MM GPW in 2007
- Diverse book of commercial program business
- Combined ratio of 88.4% through 6/30/2008
- Combined ratio of 90.1% for 2007

History of Disciplined Growth

Since 1998, we have grown our business organically and through:

- Key hires of underwriting teams in the US and Europe
- Opportunistic renewal rights transactions and acquisitions

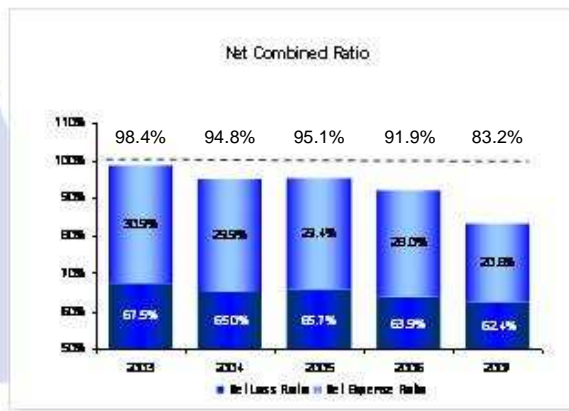


Maiden Transaction Rationale

- Long-term capital partner for future growth
 - Organic growth
 - Acquisition of additional books of business
- Higher ROE
 - Ability to write additional premium on existing capital base
 - Ceding commission on reinsured premium
 - Accretive to earnings per share
 - \$0.46 operating earnings per basic share in 2nd quarter 2008 vs. \$0.31 in 2nd quarter 2007

Financial Performance

- We produce an underwriting profit by having consistent loss ratios and focusing on expenses
- As our premium has grown, we have:
 - Increased our operating leverage – Combined ratio 79.6% through 6/30/08 vs. 89.6% in 2007
 - Decreased our expense ratio – Expense ratio 19%* through 6/30/08** vs. 25.5% through 6/30/07



* Q2 2008 expense ratio without Maiden Insurance ceding commission revenue would have been 24.7%

**Includes benefit from unearned premium transfer

Recent Financial Results

Summary Income Statement

(\$ in millions)	Through 6/30/08	2007	2006
Gross Premium Written	\$535.8*	\$839.4	\$526.1
Net Premium Written	249.5	419.9	436.3
Net Premium Earned	213.4	444.2	329.0
Fee Income	14.7	20.4	12.4
Ceding Commission	55.4	59.1	-
Net Investment Income and Realized Gains	20.4	55.5	42.4
Loss and LAE Expense	129.3	277.0	210.1
Acquisition Expense	41.0	74.2	43.3
Salaries and G&A Expense	55.0	77.4	49.1
Operating Income from Continuing Operations	68.3	130.8	70.9
Income Tax Expense	14.5	36.7	17.8
Net Income from Continuing Operations	\$48.6	\$90.1	\$48.9
Annualized ROE from Net Income from Continuing Operations	24.2%	24.7%	21.3%
Earnings per Basic Share	\$0.81	\$1.49	\$0.86
Net Loss Ratio	60.6%	62.4%	63.9%
Net Expense Ratio	19.0%**	20.8%	28.0%
Net Combined Ratio	79.6%	83.2%	91.9%

*Includes 19.3 MM as part of one time unearned premium transfer.
 **Q2 2006 Expense Ratio without Maiden Insurance ceding commission revenue would have been 24.7%

Recent Financial Position

Balance Sheet Highlights

(\$ in millions except for book value per share)	6/30/08	12/31/07	12/31/06
Cash and Investments	\$1,547.8	\$1,289.6	\$824.2
Reinsurance Recoverable	353.7	281.9	44.1
Premiums Receivable, Net	395.0	257.8	147.8
Other	699.1	493.5	207.6
	<u>\$2,995.6</u>	<u>\$2,322.8</u>	<u>\$1,223.7</u>
Loss and LAE Reserve	823.0	775.4	295.8
Unearned Premium Reserve	712.4	527.8	323.2
Junior Subordinate Debentures ⁽¹⁾	123.7	123.7	82.5
Other	922.1	505.5	181.7
	<u>2,581.2</u>	<u>1,932.4</u>	<u>883.2</u>
Shareholders' Equity	<u>414.4</u>	<u>390.4</u>	<u>340.5</u>
Total Liabilities and Shareholders' Equity	<u>\$2,995.6</u>	<u>\$2,322.8</u>	<u>\$1,223.7</u>
Book Value Per Share	\$6.91	\$6.51	\$5.68

1. Trust Preferred Securities

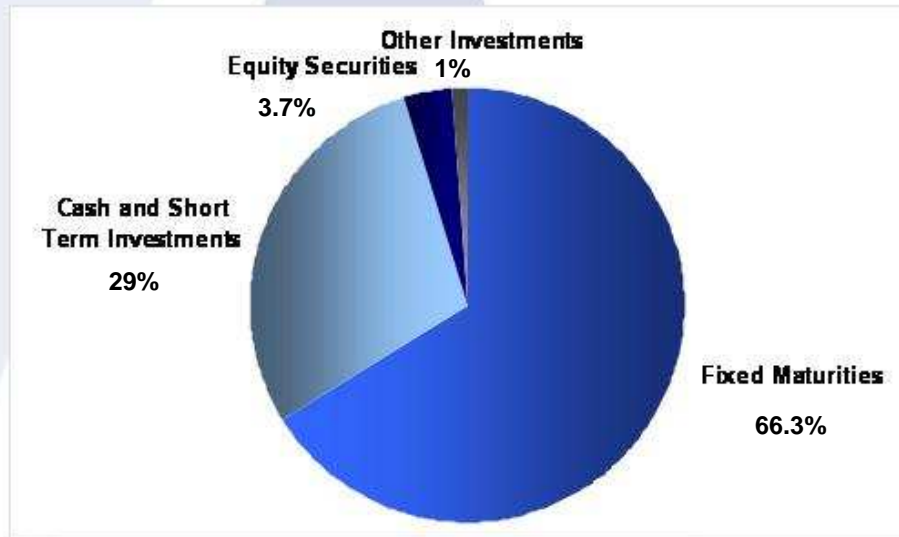
Investment Portfolio

Total invested assets as of 6/30/08 - \$1.5 Billion

60% of fixed maturities are rated AAA or US Government or Agencies

90% of fixed maturities are rated A or better

No exposure to sub-prime



Business Model

- Continue to deliver 20%+ ROE through:
 - Focus on underwriting profit:
 - Economies of scale
 - Lower expense ratio
 - 19% net expense ratio for first half of 2008
 - Disciplined pricing and risk selection
 - 60.6% net loss ratio for first half of 2008
 - Proprietary technology platform designed to process small policies
 - Effective tax rate less than 30%



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