

AMTRUST FINANCIAL SERVICES, INC.

FORM 8-K (Current report filing)

Filed 11/28/07 for the Period Ending 11/27/07

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	Technology
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)

November 27, 2007

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
(Address of principal executive offices)

10038
(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))

Item 7.01 REGULATION FD DISCLOSURE

On November 27, 2007, AmTrust Financial Services, Inc. (AmTrust) presented an overview of AmTrust's operations at the 2007 Friedman Billings Ramsey (FBR) Capital Markets Investor Conference . 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 2007 Friedman Billings Ramsey (FBR) Capital Markets Investor 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 November 28, 2007

/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.

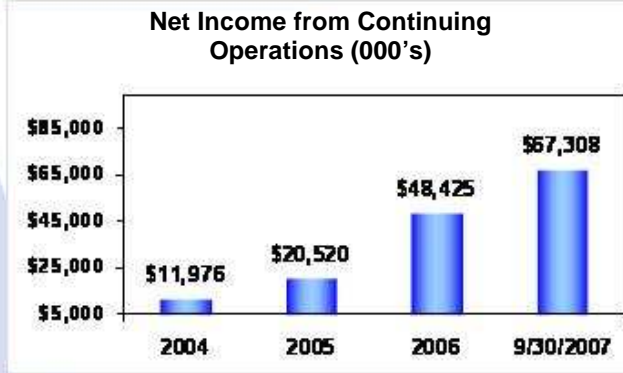
Potential risks and uncertainties include effects of government regulation, the outcome of our efforts to manage growth, the extent to which our premium rates and reserves are adequate, the extent of availability of reinsurance on favorable terms, changes in our financial ratings, the outcome of our 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**
 - **Inside ownership 57%**
 - **NASDAQ ticker symbol “AFSI”**
- **“A-” rating from A.M. Best**
- **We focus on underserved, niche markets:**
 - **Low hazard**
 - **Predictable**
 - **Non-catastrophic**
 - **Low volatility**
- **High ROE business model (24.8% annualized as of September 30, 2007)**

Company Financial Highlights



*Annualized return on equity through 9/30/07

Business Overview

Mix of Business

Small Business Workers' Compensation		Specialty Risk and Extended Warranty	Specialty Middle-Market P&C Insurance
2006	49.2%	25.3%	25.5%
9/30/07	39.7%	32.6 %	27.7%
<ul style="list-style-type: none"> ▪ \$258.9 MM GPW in 2006 ▪ \$235.5 MM through 9/30/07 		<ul style="list-style-type: none"> ▪ \$132.8 MM GPW in 2006 ▪ \$193.5 MM through 9/30/07 	<ul style="list-style-type: none"> ▪ \$134.3 MM in 2006 ▪ \$164.0 MM through 9/30/07
<ul style="list-style-type: none"> ▪ US only (40 states and DC) ▪ Insured Profile <ul style="list-style-type: none"> ▪ Average premium < \$5,000 ▪ Low hazard <ul style="list-style-type: none"> ▪ Restaurants ▪ Retail 		<ul style="list-style-type: none"> ▪ Europe, US ▪ Warranty coverage for selected consumer and commercial goods ▪ 51.7% of GPW through 9/30/07 was written outside US 	<ul style="list-style-type: none"> ▪ US only (nationwide) ▪ Low hazard ▪ Specialty commercial programs

Small Business Workers' Compensation

We focus on low hazard small businesses

Target Customers

- Average annual premium less than \$5,000
- Small employers – typically underserved by larger carriers
 - Average 6 employees
 - Low to mid hazard profile
- Underserved segment, competitors include state funds and regional carriers

AmTrust Approach

- Expense control
- Paperless proprietary underwriting system
 - Risks individually underwritten
 - Prompt response to agents and insureds
- 8,000 active agents

Result

- Cost efficient strategy
- Historically high retention and renewal rates (over 80%)
- Historical organic premium growth of over 15% annually
- Average combined ratio since 1/1/04 – 91.3%

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
- Geography
 - Europe (51.7% of GPW for 9 months ended 9/30/07)
 - US (48.3% of GPW for 9 months ended 9/30/07)

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

- Profit center or cost reduction for client
- Cost effective for warranty buyer
- Profitable for AmTrust
- Average combined ratio since 1/1/04 – 92.7%

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

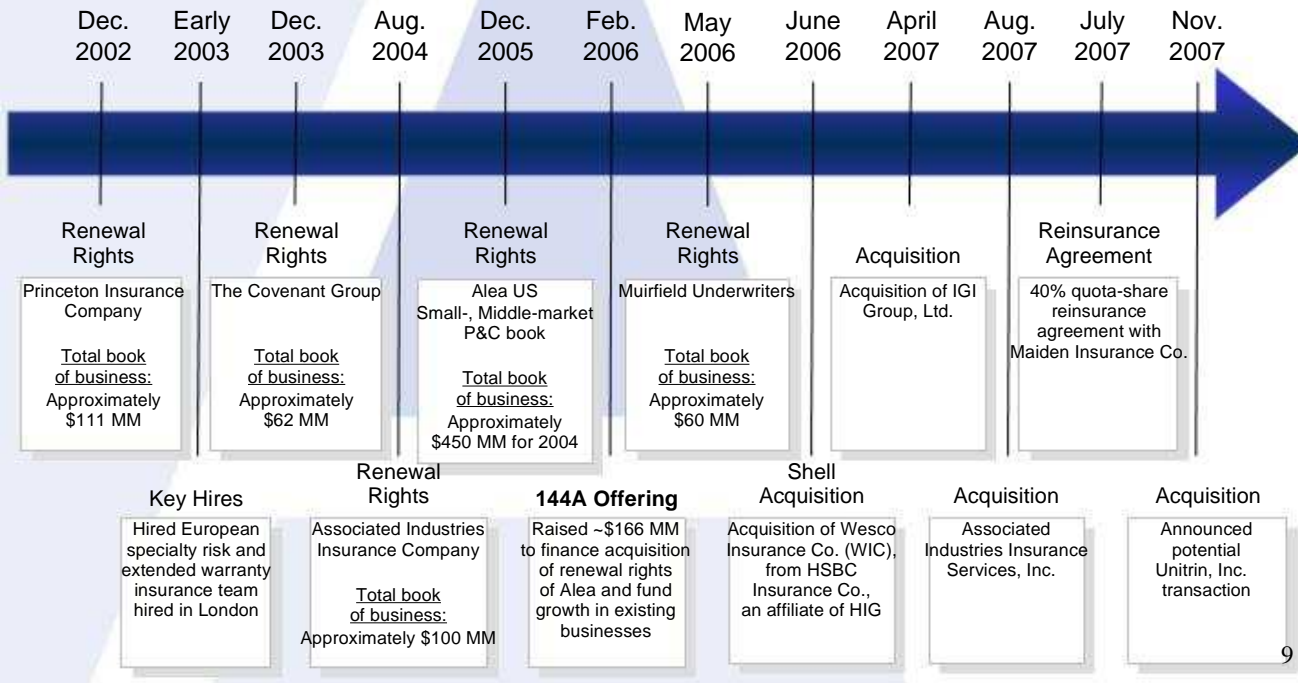
- Extensive front-end diligence and actuarial review for each new product and client
- Develop customized and strictly defined policy forms that fit the needs of the client
- Leverage proprietary technology systems to process business efficiently

Result

- Generated \$164.0 MM of gross premium written for the 9 months ended 9/30/07
- Well diversified book of commercial program business
- 91.4% combined ratio through 9/30/07

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

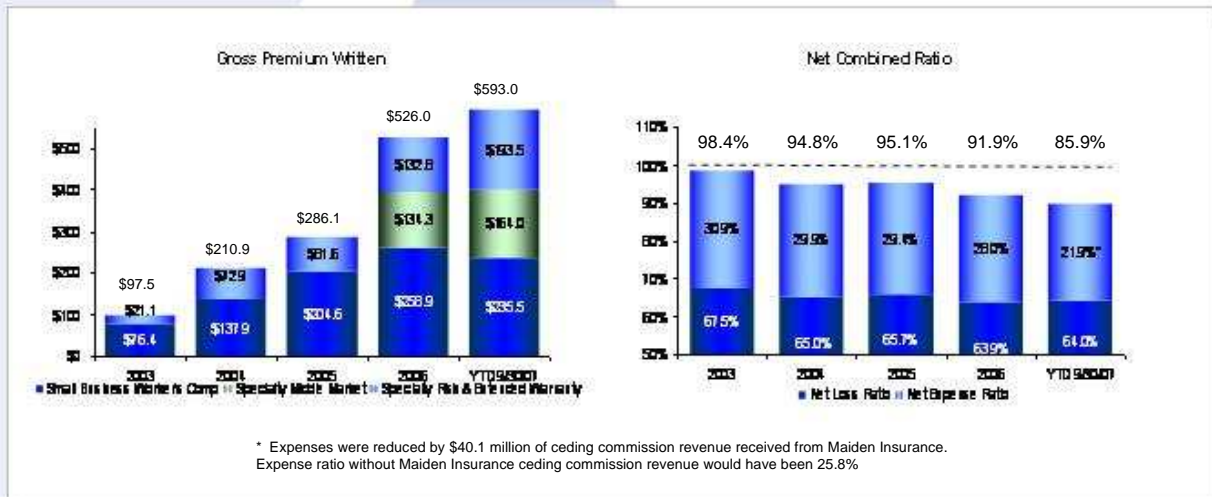
- Long-term capital partner for future growth
 - Organic
 - Acquisition of additional books of business
- Higher ROE
 - Ceding commission on reinsured premium
 - Ability to write additional premium on existing capital base
 - Annualized net written premium leverage with Maiden transaction
1.06x vs. 1.75x stand-alone
 - Accretive to earnings per share:
 - \$.43 earnings per basic share from continuing operations in the 3rd quarter with Maiden transactions vs. estimated \$.34 stand-alone

Business Model

- Continue to deliver 20%+ ROE through:
 - Focus on underwriting profit:
 - Economies of scale
 - Lower expense ratio
 - 21.9% net expense ratio for the 9 months ended 9/30/07
 - Disciplined pricing and risk selection
 - 64.0% net loss ratio for the 9 months ended 9/30/07
 - Proprietary technology platform designed to process small policies
 - Effective tax rate less than 30%
 - 28.3% for the 9 months ended 9/30/07

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
 - Decreased our expense ratio



Recent Financial Results

Summary Income Statement

(\$ in millions)	9/30/2007	2006	2005
Gross Premium Written	\$593.0	\$526.1	\$286.1
Net Premium Written	293.4	436.3	259.2
Net Premium Earned	330.9	329.0	216.0
Fee Income	16.7	12.4	8.2
Ceding Commission Revenue	40.1	-	-
Net Investment Income and Realized Gains	47.3	42.4	16.4
Loss and LAE Expense	211.7	210.1	142.0
Acquisition Expense	59.7	43.3	30.1
Salaries and G&A Expense	52.7	49.1	33.2
Pretax Income from Continuing Operations	93.9	66.2	27.2
Income Tax Expense	26.6	17.8	6.7
Net Income from Continuing Operations	\$67.3	\$48.4	\$20.5
Annualized ROE from Net Income from Continuing Operations	24.8%	21.1%	17.3%
Earnings per Basic Share	\$1.12	\$0.86	\$0.80
Net Loss Ratio	64.0%	63.9%	65.7%
Net Expense Ratio	21.9%*	28.0%	29.4%
Net Combined Ratio	85.9%	91.9%	95.1%

* Expenses were reduced by \$40.1 million of ceding commission revenue received from Maiden Insurance. Expense ratio without Maiden Insurance ceding commission revenue would have been 25.8%

Recent Financial Position

Balance Sheet

(\$ in millions except for book value per share)	9/30/07	12/31/06	12/31/05
Cash and Investments	\$1,215.4	\$785.9	\$415.8
Reinsurance Recoverable	254.4	44.1	17.7
Premiums Receivable, Net	264.3	147.8	81.1
Goodwill & Intangible Assets	54.0	29.4	20.8
Other	419.8	178.2	77.5
	<u>2,207.9</u>	<u>1,185.4</u>	<u>612.9</u>
Loss and LAE Reserve	742.0	295.8	168.0
Unearned Premium Reserve	496.9	323.2	156.8
Junior Subordinate Debentures ⁽¹⁾	123.7	82.5	51.6
Other	462.0	143.4	118.1
	<u>1,824.6</u>	<u>844.9</u>	<u>494.5</u>
Preferred Stock	-	-	60.0
Common Equity & APIC	383.3	340.5	58.4
Shareholders' Equity	<u>383.3</u>	<u>340.5</u>	<u>118.4</u>
Total Liabilities and Shareholders' Equity	<u>\$2,207.9</u>	<u>\$1,185.4</u>	<u>\$612.9</u>
Book Value Per Share	\$6.39	\$5.68	

1. Trust Preferred Securities

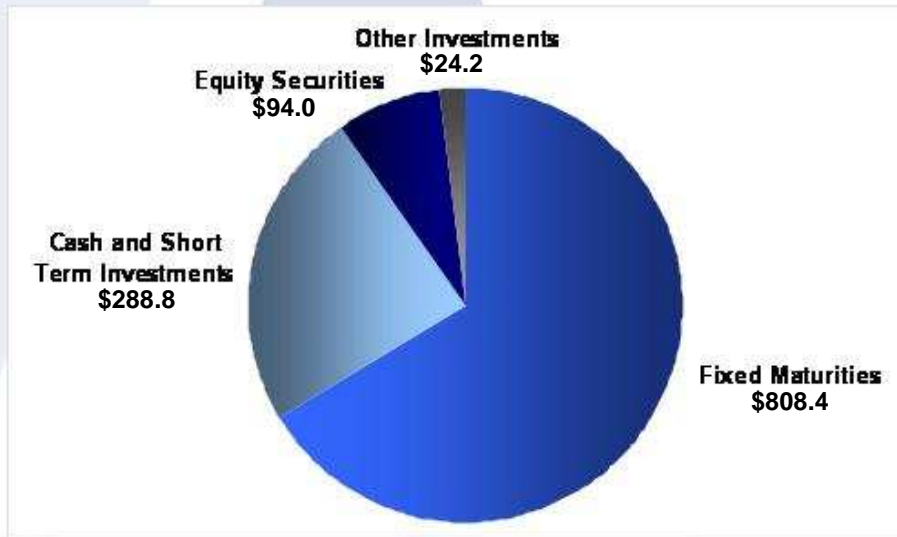
Investment Portfolio

Total invested asset as of 9/30/07 - \$1.2 Billion

61.7% of fixed maturities are rated AAA or US Government and Agencies

90.4% of fixed maturities are rated A or better

No exposure to sub-prime





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