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EDITED TRANSCRIPT

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PRESENTATION

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

We are going to get started. This is actually the final panel of the insurance conference. so thank you all for sticking with us through this point. We have Adam Karkowsky, the CFO of AmTrust Financial, with us along with Zach Wolf on the financial team and Chaya who is the Head of Corporate Communications. Did I get that right?

Okay, so Adam was fairly recently appointed as AmTrust's CFO. So, I guess I'd like to kick off the session by asking what you see as your major priorities let's say for the first year?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

Thank you, Meyer, and thank you for the introduction and I appreciate everybody's time today. I think as we -- I took over the role, as Meyer mentioned, back on June 5 and we were coming out of I think a relatively difficult period for us; coming out of a delayed 10-K filing and a restatement for some previous year financial statements. So I think -- and as a result of those issues, we had some material weaknesses that we reported at the end of the year in our 10-K.

So my first and primary priority for my first year is remediating material weaknesses, correcting the things that drove us to have the problems that we had at the end of the year. And we are focused very much on getting through that process. We started immediately -- or actually really even before I took the job we had started hiring.

We added a new Chief Accounting Officer named Rob Schwarz from Assurant; Zach Wolf who has been with us on the strategy side became our deputy CFO. And together the three of us have actively been building out our financial -- finance and accounting functions. We have added a new head of investment accounting, a new domestic lead controller, a new fee business CFO, a new head of accounting policy, a new head of SEC reporting and I'm missing probably a half a dozen others at a senior level --.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

The actuaries.

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

The actuaries we started adding actually back in 2015, Meyer, and built up that team to I think match the scope and size of our business. And I think our finance team, including our actuarial team, now looks like what it should. It's commensurate with our impact on the industry, with our size and scope of the business.

I think we still have work to do in terms of filling out the team, but we are pretty far along in that part of the process. I feel very good about what we have added to staff. Almost everybody we've brought on has significant industry experience and has pretty much been at the big four on the audit side.

So it's very familiar territory. We are not starting from scratch. The learning curves have been very short. People have gotten to understand us and that's helped immediately to improve our processes. So I think in terms of the first step towards remediating material weaknesses, we've taken big steps. And I think one of the two root causes we identified was the lack of the right personnel and the right sophistication at that level helping drive our process.

So I think in terms of remediation we are a good portion of the way there. There is a process that we now need to go through. I think we are well underway in that process. We are not making any promises as to when we are going to get through it, but we are working very diligently. It is our primary goal. It takes time and it takes a lot to go right, but the long-term prognosis is very good and I think it's just a question of when, not if we remediate.

But we are working hard. Our stated goal -- I think we've said this on previous earnings calls -- is we'd like to do it as soon as possible. Ideally it would be sooner rather than later and at year-end, but we are not making any promises. But that is what we are shooting for, because if we don't set that target we will struggle to hit something reasonable. So I think that's my first priority.

Another priority is taking stock and looking at what we do well and what we don't do well. And the thing that I think we clearly don't do well is communicate our story. And historically we've relied on what we've done in our disclosure to tell our story. We've certainly been on the road and been in meetings like this. But I think never really presenting the full impact of how great our business is.

And I think what we need to do is to make the story of AmTrust reemerge and not be distracted by all the noise that's been surrounding our efforts and our stock for the last several months and even years. So I think there's a few ways we need to do that and one is we are consistently working on improving our disclosure.

I think -- you've seen some of that incrementally; I think for the first time this past quarter we used a supplemental presentation for our earnings call. We are continuing to try to figure out ways to shore up and make clear and more transparent our key areas of our business through our disclosure, and you will see that incrementally improve and then ultimately significantly improve I think in the future quarters.

And I think the other way to do that is to make our story simpler to simplify our balance sheet. To look at some of the transactions we've done over the years not from our core business but maybe looking at some of our alternative investment structures, looking at some of the interrelated -- the related party agreements that we're involved in and to rethink them. And to either come down on the side of making it so clear that the related party agreement is a strategic benefit to us and that the risks are de minimis or nonexistent, or finding a way to replace what we started with a related party with someone else.

And the most recent example of that is something I did very quickly after taking over the role. Barry and I -- Barry Zyskind and I, our Chief Executive Officer, discussed one of the easy sort of ways to do this was to take a look at the National General stock that we owned.

We owned about 11% of National General and we looked at it as a very, very valuable asset historically and it has been. We bought it for a lot less than we ended up selling it for last quarter. But it was -- for us it created a few challenges I think we are better off without. And so, it was a good decision.

What it did was we had an investment that we were carrying on the equity method, so we were subject to -- whatever National General's results were from a P&L perspective were impacting our operating earnings. So it was a piece of our earnings that we couldn't control which led to a little bit of uncertainty.

We had -- we were carrying -- because we were carrying it at the equity method we were carrying it well below market value. So we weren't getting the credit for carrying the asset at the value that we were carrying it. So when we sold it we had a little bit of a step up in tangible book value from a GAAP perspective and, as importantly, we replaced what was really kind of a restricted asset that was hard to get out of with something that looks a lot more like the rest of our investment portfolio.

So we took $200 million roughly of hard to move position and made it look like everything else we buy, high investment grade short duration securities with good liquidity. So, it made a lot of sense from that perspective and I think it was a good idea to simplify because it further reduced our disclosure obligations. It is one less related party. And that is I think an example of what we are trying to accomplish with our disclosure.

And then I think sort of the third goal, and it's maybe a little bit of a longer-term goal but certainly one that we think about every day, is to continue to demonstrate to the Street the core value of our business.

And if you think about our business today, and just looking at the last quarter that we just reported, we earned about $1.4 billion of premium in the quarter and we reported on a one-on-one combined ratio. That's an unadjusted combined ratio, but we did buy some average development cover as I think we've reported on.

And so, when you net out what we [ceded] to the average development cover and you net out some cat exposure that we had that was not core to our business, and I will come back to that in a second, you really get to a 94 combined on an adjusted basis on $1.4 billion for the quarter. And for the same quarter we had about $10 billion of assets under management. Our annual return on that is expected to be about -- it has historically been at about 3.1%.

So, when you think about on an annualized basis the earnings capacity of AmTrust, it's very significant. But I think what has gotten lost in the noise of a delay and a restatement and frankly a short attack has been the underlying value of what we do on a daily basis.

Our core business is really fantastic and we need to do a better job demonstrating that. And a business running at -- operationally at a 94 combined, even with a higher degree of conservatism that we have undertaken as we go forward, I think is a very, very strong business. But we need to do a better job with disclosure, with our messaging, with our earnings calls of telling that story and that's -- we are well underway.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

Let me follow up on that with one point that you just mentioned actually which is the increased conservatism. Because certainly that seems like a good idea, sort of unequivocal applause from our corner. At the same time it sort of looks like deterioration, right, if you are booking things more conservatively.

Can you help us frame expectations for -- or frame our understanding of the two different components of it? In other words, there's rate and trend and business fixes and then there is just a different approach to loss fix.

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

That's a good question. I think the first thing -- to take a step back, is you need to understand the business that we write and that will help inform that answer. About half of our business, so we wrote a little over $8 billion in the last 12 months. About half of our business is small Worker's Comp business here in the US. And our average policy size on that business is about $10,000.

So as an example, I think we talked about this on our last earnings call. If you look at where we have been historically in the comp book, so maybe a perfect example to go through is we did an acquisition of renewal rights in 2011.

We bought a book of business from Majestic Insurance Company. It was all Workers' Comp. It was not a core book of business for us; it was high hazard, bigger premium books than we typically like to write. But it came with a fantastic underwriting team, very talented claims team. And it was basically a way for us wholesale to enter into the California market without having to build it from ground up.

We did that in 2011. We got into the market and the timing was good. Some of it was skill, some of it was luck. But we got into the market really at the right time and grew through the really hard market in California from 2011, 2012, 2013, 2014 and into 2015. And then last year in California we started seeing some trends change. Pricing was coming under pressure and so we started slowing down our growth.

And then this year where I think industry trends for the first six months are that comp is down roughly -- comp pricing is down roughly 10% for the industry. We are really not growing organically and actually we reported a price decrease of 3%. So relative to the industry we are shrinking from a price perspective at a much slower rate.

So I think the argument that we would make is there is a lot less volatility in our business, at least the $4 billion and change of comp that we are going to write this year. The average price being roughly around $10,000 it's pretty hard to move business because the average commission being roughly 10% of that business.

A producer is generally not going to move that business unless they are very, very motivated. They are not necessarily going through significant pricing exercises on a regular basis. So rate states will generate rate reductions or rate increases based on whatever they are doing. Other states the market bears a little bit of a better result for us and our core book than I think it does for the industry at large.

But that being said we watch loss costs, we watch trends in the industry. I think our level of conservatism has nothing to do however with those trends. I think those trends would take an exceptionally profitable business up a point or two year over year, but that business -- inception to date I think has been running in the call it low 60s and we have an expense ratio on a corporate basis in the mid-20s historically meant to -- I think we were 27 and change this last quarter. So if you throw a 27 on a 61 you are still at a very, very profitable business.

So I don't think we worry from a conservatism perspective about cost going away from us in comp. I think we are being conservative because of some of the trends we are seeing. So there is some element of conservatism generated by the current market conditions. I think generally, based on the fact that we have had some prior year [emergence] in recent quarters and we are taking a look at the current year and saying we would rather be on -- error on the side of caution and be very, very careful about what we're going to book.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

Okay. Fantastic. As always I want to encourage whatever questions there are in the audience I'm going to keep moving, but if you do have a question then just signal and I'd be more than happy to turn over the floor. So you've been in the role for a few months and spent some time talking to the market. Can you just broadly -- what you see as the major misperceptions of AmTrust out there?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

Well, based on where the stock is trading I think there's a lot of misperceptions, but I think the biggest one is around people not understanding the core operational value of our business.

And so, if you go -- and not really understanding the capacity to earn profitable quarter after quarter here. And I think we've gotten distracted from that by some self-inflicted wounds, without question having what we went through earlier this year added to the narrative of that we were facing.

But I think if you take a step back and you think about that roughly almost $6.5 million of our $8 billion of written premium over the last 12 months has been in businesses we have been in stably for the last 17 years. And we don't really see a lot of change year over year in any of these businesses.

So if -- we continue to write a little bit more every quarter of what we have always written, warranty business and low hazard comp, low hazard small commercial business, our program business, which I think has driven some of the development and some of the noise around those.

We thoroughly re-underwrote, cleaned up a lot of what historically we made mistakes on, which was to a degree -- a large degree monoline GL programs, some monoline commercial auto programs. We replaced management and brought in a really, really credible and very good team who operationally is seeing that through and I think doing a fantastic job.

So if you look at our book it is very stable, very homogenous business. It is all about the same risk profile. It's a lot of low ticket, high touch premium. And I think what continues to drive us forward is our ability to do a lot of premium, a lot of policy count, a high-volume for relatively cheap expense.

And we are continuing to use that advantage -- that tech advantage in our favor. And it allows us to go out and write -- probably by policy count I think we are probably the largest writer of Worker's Comp in the United States. I think third largest by premium, but we write $10,000 at a clip or less where the market is writing at a much bigger clip than we are per policy.

So I think that's part of the misperception is just not understanding the core value of the business and why we are a little different than the rest of the market. We do the same products, but we do what we do and we stick to what we do. And it hasn't varied, it's actually -- the same three things we do today are the same three things that we did when we went public in 2006. We haven't varied from that. And our performance has been very consistent.

I think another misperception has been generated by a lot of the noise around us and we have related party transactions. I think the automatic perception when things are not going well is that those are an area of complication, an area of weakness. That there is something strategically inefficient about them because they are related.

But I feel, even though we are cleaning them up and we are getting through them and I think we will make them very clear, that they have all been to our benefit, every single one of them. I think we grew as a result of in a very healthy way by using capital from the related party, Maiden. I think we have benefited dramatically from our relationship with National General both in terms of earning revenue and in terms of building capital through their -- the increased value of their stock that we just sold.

So I think that that is another misperception. I think generally this idea that we are a big taker of risk is just -- it's false. I think that really can be evidenced by our approach to cat that I think we just announced a couple days ago. We are not big risk takers. We like to sleep at night and our book reflects that.

And so we've historically not been a cat player; we have focused on building value incrementally through policy by policy and not trying to shortcut markets when they have gone through really, really soft periods like this. And as a result we buy down to $20 million per event. We buy up to $830 million per event coverage.

And so when a Harvey like or Irma like event comes through we feel very good because we are not really exposed on any kind of material level. And I think we did say in our press release the other night that we have pretty much a maximum expected exposure of $20 million on Harvey.

QUESTIONS AND ANSWERS

Unidentified Analyst

On the cat exposure (inaudible) market share, but is that because you own [Academy] Mutual (inaudible)?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

That is part of it. We have we do have Academy Mutual that we acquired as part of the Republic transaction and that's a fronting business exclusively. We don't take risk on that business. We also had historically some programs that also came with Republic that are -- that canceled before we even bought the Company. So there is some lag in the reporting I think.

And in terms of the yellow book years, it will take a little while for that to translate to what our true market share is. That being said, it's not core to our business. We don't write personal lines business. It was a roughly $120 million book of business that came with the rest of our Republic acquisition. It's been profitable historically; in fact loss ratios and the cat experience in the book have been generally very favorable.

But with where we have seen really since we bought it and even really the year before we bought it had decided it is not a core business to us. We decided that we would be better off taking the volatility out of it. We had about $40 million of Texas hailstorm cat losses related specifically to that personal lines book for the first six months of the year. And we just don't want to have that volatility of performance in a book that is generally not designed to deal with cat losses and one that we don't really want.

So, we think we made a good decision. I wish we were prescient enough to know that there was hurricanes forming and they were going to do the kind of damage. We won't take credit for that. But we don't like cat risk and this was part of our analysis in making that decision.

Unidentified Analyst

(Inaudible - microphone inaccessible)?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

It's different. Our exposure in Texas was more concentrated because of the Republic book. We have exposure in Florida and up the coast -- the East Coast to a degree based on some of our Lloyd's writing. We have some commercial property that's part of our commercial package book and our program book.

But it's not -- I don't know, I wouldn't call us a significant player in the market. And again, we have the same coverage in place for an Irma type event that we had for Harvey. So, it should be relatively -- it's painful and obviously we don't want to see anything bad happen to anybody, but we will not have the same -- I think we are very conservative and we have pretty clear expectation of what should happen to us.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

And just to clarify, that $20 million is all in including Lloyds?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

Everything. That's the entire book. It is across our whole portfolio of property business.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

Can you give us an update --? You touched on this a little bit in terms of the specialty program book you will be underwriting. So it sounds like you are still committed to that product line or that segment. Where are you in terms of the re-underwriting review?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

I think we are still in process of completing it, but I think we have done a lot of the work. And again, most of where we made mistakes is where the industry has historically made mistakes in the program. It's been on writing monoline programs, particularly general liability.

I think Chris Foy, who took over as the head of our program business almost a year ago now, has done a fantastic job turning that book into what looks like a slightly higher average premium version of the rest of our small commercial book.

So we write -- more than half of our program business for this year is expected to be Workers' Comp premium, again a little bit of a higher, slightly higher hazard, slightly higher average premium cost business, but it looks a lot like our vanilla state-by-state Workers' Comp business and I think that's a good thing. Performance indicates that it's an excellent thing. It performs just as well as the rest of our comp book historically.

And we are not writing that standalone wheels and standalone GL business that's given us headaches in the past. And I think you will see that the business will come more into line. It's always going to be a little bit more expensive from a commission perspective, so it's never going to drive the same return on equity maybe that the rest of the business will drive, but it should be profitable.

We shrunk it. I don't know that we are committed to -- I think we are at a good place with it. We feel that the balance is good. We will continue to always look at our book the same way we will look at any other part of our book. We underwrite the stuff that is not performing and look for -- look to add where things are performing to grow there. But I would say as a whole we feel pretty good about where we are in our program business from a size perspective where we are right now.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

And from a geographic mix perspective is it fair to align that with what you see in the small commercial?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

Yes, I think it's similar. There may be again a little bit of concentration due to the fact that something that goes through a program generally is not accessing the retail markets. Some of that may be geographic driven, although I don't think there is a big element of that in our program book. I think generally geographically it looks similar to our overall book.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

Okay. Let me touch on the specialty risk and extended warranty, which is an interesting sort of combination of units in that segment. Can you give us a brief description of the businesses that are in there and anything you can say that's helpful in terms of pricing trends and loss trends there?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

Yes, the business is primarily made up of our global warranty business. That's the biggest piece of that business. And I don't remember off the top of my head but it's just it's a big portion of that business. And that's our US warranty business and our European warranty business.

The other big piece of it is our Lloyd's syndicate and then there is a few smaller pieces which I think we publicly discuss which are our Italian med mal business, our European med mal business and our legal expense business. So I will take them sort out one at a time.

From a US warranty perspective I think we are very pleased with where the business is. It's been very stable business really since we started writing it and it's -- the DNA of AmTrust is really in the warranty space.

We bought -- when we started the Company it was -- we bought it from Wang who was a manufacturer of large computer systems and they used these companies to write insurance on the computer systems they were selling. So when we bought the Company this is where Barry and Michael started looking for business.

And so we've never not been in the warranty business. From the outset since 1998 we've written it. For the last 20 years it's a performed pretty much consistently the way it has -- the way we expect it to.

That being said, I think overall gross economic trends impact this market. So in the last few years new car sales have been way up, so our auto warranty segment has grown considerably at the same time retail consumer goods sales are shrinking. That's being replaced by sales online, digital sales.

So we are selling more and more of our product through the Amazons of the world, through other online sellers and less in stores. Some of our clients have gone through some hard times. But the business is a fantastic business. I think we have a unique -- very unique proposition in that we service the business from start to finish.

So we are a full provider of the claims administration, the call center, the financing of premiums to a certain extent and then obviously the claims handling, claims payment of the paper. So I think that makes us a relatively unique proposition.

We have a couple of competitors who can say the same thing. But as a result I think we've partnered with a number of Fortune 500 companies and I think we are the back end to some of the most terrific brands in the world. We are sitting behind them as their warranty providers. So I think it is a great business.

As far as the Lloyd's business, I think we've built that through several M&A transactions over the last few years. I think we've learned that in order to be successful at Lloyd's you need scale and a lot of capacity, otherwise the expense ratios of a business of that nature can get a little bit out of whack with the rest of your business.

We think we have achieved scale with our acquisition of ANV last year. We feel very good about what we have re-underwritten there as well. We don't -- again, we take some of our cat risk through Lloyd's, but we are not a big cat participant relative to other Lloyd's syndicates.

We think that business should start to produce significant benefit to us now that it's starting -- almost finished with the integration process from the recent M&A and we will start to see some real benefit from our Lloyd's business going forward. So, I am very optimistic about this segment starting to produce a bigger piece of our net income as we go forward.

Just to touch on the last couple points, our general European business comes through this including our Italian med mal. I think we have been consistently writing med mal with about the same expectation for the last few years.

This business is slightly more competitive than it has been in the past, but I think we have been a relatively long-term player in the market. We have been there since 2009, which I think makes us the longest tenured player in the Italian med mal market by a lot.

So we have actually the benefit of being a consistent player in that market and I think as a result we are being able to maintain pricing, maintain discipline and that book is performing pretty consistently with how it's performed the last few years.

In on our European business generally we write some small business that's similar to our US. We write a lot of legal expense insurance which performs pretty nicely. And the business is growing slowly but growing profitably.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

Two -- oh sorry, go ahead.

Unidentified Analyst

Could you tell us a bit about your own background and what you were doing before you got to AmTrust?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

Sure. The question was my own background. So I'm a graduate of Georgetown Law School. I worked for -- graduated Georgetown law, yes, a lawyer. I practiced as an M&A and securities associate for a firm called Rosenman & Colin which then merged with a Chicago firm called Katten Muchin while I was there.

I left in 2001, I think it was, to 2002 to go to AIG where I helped build the M&A insurance group for AIG which focused primarily on the development of what was a very small product at the time, representations and warranties insurance and tax liability insurance. I helped grow that business and develop it.

Left in late 2005 and started a venture capital arm of an existing private equity fund focused primarily on asset management, asset recovery startups. We did very well for a little while. 2008 hit, we did not do so well -- not really because of our own performance but because our investors, like many other funds have experienced I think, had a little bit of a tightening.

So, hard to make money when you can't invest so we -- I moved on, did a little bit of consulting for some insurance agencies on some rollups. And then I -- David Saks, who is our Chief Legal Officer, and I worked together at AIG. David was the deputy general counsel for M&A at AIG for many years and introduced me to Barry Zyskind, our CEO. I joined AmTrust in early 2011 and I ran strategy, M&A, corporate development for the last seven years before taking the role in June.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

Okay, thanks very much. Again, if there are questions from the floor just let me know. I have two opposite questions. One, obviously your background is in strategy and M&A piece in AmTrust. What sort of -- maybe in 2018 and forward what should we expect in terms of acquisitions? And then on the other side, Barry has talked about, considering the sale of 51% of the fee-based businesses, what's the status of that particular initiative?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

Okay, so in terms of how we think about M&A going forward, I think M&A has been a core driving principle for us for a long time. It has helped us build the Company. I think it gave us the breadth of product, the breadth of talent that we use today to transact what's -- continuing to grow beyond $8 billion of premiums. So I think it has been very good for the Company.

At the same time I think part of where we struggled at the end of last year was in -- and where some of our material weaknesses arise from is our ability to integrate certainly on the finance side. So I think right now our focus is on, as we said earlier, remediating material weaknesses.

We've taken a lot of the people that would be focused on the finance side of an acquisition and focused them on getting filings on time, getting material weaknesses remediated and really looking, focusing inward strategically to help again extract the value that we know is there at our own Company.

I think going forward we are going to -- once we feel we are very stabilized we are going to continue to look at M&A opportunistically. I wouldn't expect us to do M&A at the pace we have done historically. I don't think this is something that we are going to just flip the switch and suddenly go back to where we were.

But I do think, just like any other Company of our size, we need to be conscious of the fact that there are other companies out there that provide things that we don't have today or that give us an opportunity to grow or that provide some expertise that we can use. And so, when there is opportunities in the market and we think they are compelling, selectively we will go in and do more M&A.

But I think that is not a next 12 months time horizon. That is when we feel really good about where we are internally. And we feel better every day about where we are internally but I don't expect to turn that faucet back on in a meaningful way in the near term.

As far as the fee business, I think Barry talked about potentially selling 51% of the fee business. I think it is important to understand what our fee business is first and it has a couple of elements to it. One element is we have a series of MGAs that produce business for us and for other carriers.

Another segment of that business is that we have warranty third-party administration companies and other TPAs that have managed either warranty claims or warranty administration or some other types of third-party administrators in the nonprofit space and some other companies of that nature.

And then the third part -- segment of it is we have some related party fee business. For example, we manage assets for Maiden and National General and we get paid for servicing the IT -- some of the IT needs at National General.

So when we talk about monetizing our fee business we are not talking about that third category. We are talking about really the MGA and TPA businesses that we have. And those are very significant businesses today for us.

I think -- at the end of the second quarter I think we reported on a consolidated basis about $650 million or so of gross revenues related to the fee business, but that is on a consolidated basis. And when you unconsolidate a company like this the fee business; if you thought about it on a standalone basis revenues would actually be considerably higher. I think we've used the $1 billion number as sort of a low-end revenue number for this business.

But if you think about the fact that if we pay for example one of our MGAs a commission, when we consolidate that MGA back into our group consolidation we eliminate the revenue at the MGA and the expense at AmTrust. So it doesn't reflect in that $650 million, $660 million run rate number that we reported at the end of the quarter.

So, we have a fairly big business that runs at nice margin. I think you can look at some of the comps in the market and ascertain what the value of a business like that should be and that's how I think we have talked about we think our fee business is worth over $2 million. I think if you just do the back of the envelope at math on over $1 billion of revenue it's not too hard -- and a reasonable margin, it's not too hard to get to that valuation even at a discount.

So we feel very good about what we have. I think it's incumbent on us to extract the value for our shareholders and there are a few ways to do that. Barry has touched on one, which is to potentially sell a 51% stake. The reason we would sell 51% and not all of it is because we value the business. It produces a decent amount of insurance premium for us and we want to stay involved.

Selling 51% would allow us to deconsolidate, so you'd get the benefit of all this revenue outside of AmTrust. At the same time we built this business almost entirely through acquisitions since 2010 and we've done it using our own growth capital.

We have never really borrowed directly through M&A in the fee space, but a deconsolidated private business could borrow, could grow considerably and buy additional insurance businesses, which in turn as its largest partner should generate additional growth on the insurance side for us as premium is added on the fee side.

And we think that separating this business and what we would be left with on the 49% side would be worth potentially a lot more than the entire thing -- value of it today down the road. That will take time but we think that there is that opportunity.

That being said, we don't have to do it. It is an option. It may be the right option, it may not be and we consider that on a regular basis. Alternatively we will just do a much better job of telling the same story I just told with clear disclosure and clear financial statements. And will help you guys understand the value that's trapped right now in the way we disclose, but that is clearly there from our perspective.

So I think we are still open to it. I will say that since Barry made that call we've gotten approach after approach, so there's definitely a hunger for the business. I don't think a lot of businesses of this size come to the private equity market for the first time at this size. So there's a lot of appetite for the business and we continue to explore our options.

Unidentified Analyst

Is there anything with respect to the relationship with Maiden Holdings? (Inaudible) them over the years and -- that's a related party transactions? That relationship, is that something that you are comfortable with as it's currently structured? Is there any avenue for changes or changes there that could either improve visibility or transparency or -- from that economic standpoint for you guys?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

I think so. We are looking at it. I think just if you think about the relationship today, it's a 40%, primarily driven by a 40% quota share on a lot of our business, not on all of it. So I think what we need to do is help the market digest what is in the quota share and we haven't always done a great job of that. But we are working hard at that.

I think if you -- we don't really see Maiden as a counterparty risk because we are fully collateralized. We are actually in an over collateralized position on any reinsurance recoverables from Maiden. So we don't have exposure from a credit perspective. They are an A rated carrier with a significant amount of capital, so we feel very good anyway. But we don't feel we have much exposure.

And it's actually been a really great source of off-balance-sheet capital that allowed us to grow I think in a very quick way at relatively cheap cost. That being said, as time goes on I think inevitably the business plans will diverge to a degree and we will continue to amass capital.

At some point it will be more cost efficient for us to potentially change the economics of the transaction, it may be for them as well at some point. I don't want to speak for them. But there could come a time where we will either retain more business or change the makeup of the quota share. There is an agreement that is in place until 2019. So we look at that on a regular basis.

We consider our options. We talk to Maiden regularly, they are, beyond being a related party, one of our core partners. Maiden has been with us since they went -- since their formation. They have been a very key partner and very instrumental in our growth and we feel very good about the partnership.

But there is no question that both sides have to look at that every day and think about what they should do better. But to the extent that it continues in any form or fashion, and I expect it will, we need to do a better job of disclosing around it and giving transparency to the market exactly what benefit we are getting and what we are giving up. So we are working on that.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

I have one last question but I want to see if there is anything from the floor. You have talked a little bit about increased disclosure and, to be fair, there have been I would say a tremendous improvement in what we've seen in the supplements you mentioned, in the disclosures and the 10-Qs so far this year. What other changes should we expect over the next 12 to 18 months?

Adam Karkowsky - *AmTrust Financial Services, Inc. - EVP & CFO*

I think the big ones are we are going to do as much as we can around our reserving position so that we can give clear -- by line of business and some other easily digestible cross-sections of our business for the market to digest.

I think the biggest one that we talked about already is demonstrating the standalone impact of the fee business on our financial statements and therefore extracting some of the standalone value of that. I think you'll see disclosure in general by line of business increase by segment increase and I think we will just try to make things planer and easier to digest.

And we have a really great new team of people working with our existing team that have a lot of experience doing this. And I think, Meyer, it's actually something you have been pushing since before I took this job. You and I have had conversations about this even in my prior role. And so, I credit you with there's no question you are right. We need to do a better job of disclosing and in a clear and transparent manner. We are committed to it.

I think to your point we have made incremental improvements and I only had the job for a few weeks when we did it. And I'm working very closely with Zach and Rob and Chaya to get that advanced quarter by quarter. I think you may not notice it, it's almost like looking at your kid every day -- you don't notice how tall he is until he goes to summer camp.

But I think quarter over quarter you will see significant incremental improvements each quarter and eventually you will look back and say these guys really got a lot done in a relatively reasonable period of time.

That being said, Meyer, and I started and I will end with it, our primary goal and the low-hanging fruit for us, and the biggest catalyst frankly for our stock, is remediating material weaknesses and getting done -- getting through a clean audit opinion as quickly as we can and in a meaningful way so that we don't have any backsliding. And I think we are well on our way to doing that.

The same people who need to help me build out the disclosure and fix some of the problems that we have are the same people helping me fix -- remediate material weaknesses and get through that.

So we are asking for a little bit of patience. We are acknowledging that there is something that we can do better, that we want to do better, that we are committed to doing better. But at the same time we are asking for your patience as we get it to you. But it is coming and it will come incrementally as we can make it happen.

Meyer Shields - *Keefe, Bruyette & Woods - Analyst*

It always takes us a lot less time to ask for things than it does to respond. I recognize that. Anyway, please join me in thanking Adam for a very helpful and informative presentation.
