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AMTRUST FINANCIAL SERVICES, INC.

FORM 10-Q
(Quarterly Report)

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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 June 30, 2017

☐ 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	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)

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, 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 ☒	Accelerated Filer ☐	Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐	Emerging growth 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. ☐

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 August 1, 2017 , the Registrant had one class of Common Stock ($.01 par value), of which 195,805,323 shares were issued and outstanding.

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Amounts are presented in United States of America ("U.S.") dollars and all amounts are in thousands, except per share amounts.

Item 1. Financial Statements

AMTRUST FINANCIAL SERVICES, INC.
Consolidated Balance Sheets (unaudited)
(In thousands, except par value)

	June 30, 2017	December 31, 2016
ASSETS		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost $7,641,124; $7,315,041)	$ 7,774,559	$ 7,398,134
Fixed maturity securities, trading, at fair value (amortized cost $28,162; $29,081)	24,803	33,782
Equity securities, available-for-sale, at fair value (cost $81,478; $126,670)	108,830	137,162
Equity securities, trading, at fair value (cost $92,700; $76,163)	84,574	81,960
Short-term investments	239	—
Equity investment in unconsolidated subsidiaries – related party	—	151,332
Other investments (related party $71,057; $72,328)	139,661	152,187
Total investments	8,132,666	7,954,557
Cash and cash equivalents	891,591	567,771
Restricted cash and cash equivalents	855,672	713,338
Accrued interest and dividends	60,916	54,680
Premiums receivable, net	3,093,247	2,802,167
Reinsurance recoverable (related party $2,779,753; $2,452,242)	5,395,374	4,329,521
Prepaid reinsurance premium (related party $1,257,767; $1,133,485)	2,168,554	1,994,092
Other assets (related party $152,297; $189,223; recorded at fair value $396,782; $356,856)	1,798,475	1,712,165
Deferred policy acquisition costs	1,121,172	928,920
Property and equipment, net	462,343	314,332
Goodwill	808,208	686,565
Intangible assets	539,978	556,560
Total assets	$ 25,328,196	$ 22,614,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Loss and loss adjustment expense reserves	$ 11,149,511	$ 10,140,716
Unearned premiums	5,297,190	4,880,066
Ceded reinsurance premiums payable (related party $755,666; $633,638)	856,995	804,882
Funds held under reinsurance treaties	121,940	70,868
Note payable on collateral loan – related party	167,975	167,975
Securities sold but not yet purchased, at fair value	64,947	36,394
Securities sold under agreements to repurchase, at contract value	31,698	160,270
Accrued expenses and other liabilities (recorded at fair value $103,329; $76,840)	2,455,657	1,651,626
Debt (net of debt issuance cost of $15,611, $15,960)	1,284,629	1,234,900
Total liabilities	21,430,542	19,147,697
Commitments and contingencies		
Redeemable non-controlling interest	1,180	1,358
Stockholders' equity:		
Common stock, $0.01 par value; 500,000 shares authorized; 210,751 and 196,455 issued in 2017 and 2016, respectively; 195,787 and 170,508 outstanding in 2017 and 2016, respectively	2,108	1,965
Preferred stock, $0.01 par value; 10,000 shares authorized; 5,399 issued and outstanding; $913,750 aggregated liquidation preference in 2017 and 2016, respectively	913,750	913,750
Additional paid-in capital	1,625,974	1,384,922
Treasury stock at cost; 14,964 and 25,947 shares in 2017 and 2016, respectively	(243,669)	(310,883)
Accumulated other comprehensive loss, net of tax	(4,835)	(125,722)
Retained earnings	1,370,190	1,405,071
Total AmTrust Financial Services, Inc. equity	3,663,518	3,269,103
Non-controlling interest	232,956	196,510
Total stockholders' equity	3,896,474	3,465,613
Total liabilities and stockholders' equity	$ 25,328,196	$ 22,614,668

See accompanying notes to unaudited consolidated financial statements.

AMTRUST FINANCIAL SERVICES, INC.
Consolidated Statements of Income (unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
		(As restated)		(As restated)
Revenues:				
Premium income:				
Net written premium	$ 1,371,902	$ 1,268,436	$ 2,715,968	$ 2,489,115
Change in unearned premium	8,807	(86,684)	(112,727)	(233,081)
Net earned premium	1,380,709	1,181,752	2,603,241	2,256,034
Service and fee income (related parties - three months $35,596; $21,608 and six months $55,931 and $41,771)	168,446	124,306	305,942	253,111
Net investment income	49,226	50,745	112,551	100,160
Net realized gain on investments	23,455	15,099	32,070	23,074
Total revenues	1,621,836	1,371,902	3,053,804	2,632,379
Expenses:				
Loss and loss adjustment expense	1,024,478	784,393	1,864,812	1,499,466
Acquisition costs and other underwriting expenses (net of ceding commission - related party - three months $158,231; $145,610, and six months $311,933; $284,001)	373,195	294,477	701,410	566,945
Other	199,860	134,344	362,713	263,611
Total expenses	1,597,533	1,213,214	2,928,935	2,330,022
Income before other income (loss), (benefit) provision for income taxes, equity in earnings of unconsolidated subsidiaries and non-controlling interest	24,303	158,688	124,869	302,357
Other income (loss):				
Interest expense (net of interest income - related party - three months $1,160; $2,187 and six months $2,318 and $4,375)	(24,229)	(17,912)	(47,830)	(33,786)
(Loss) gain on investment in life settlement contracts net of profit commission	(1,261)	12,676	7,349	23,406
Foreign currency loss	(58,948)	(28,995)	(76,916)	(67,228)
Gain on acquisition	—	39,097	—	48,775
Total other (loss) income	(84,438)	4,866	(117,397)	(28,833)
(Loss) income before (benefit) provision for income taxes, equity in earnings of unconsolidated subsidiaries and non-controlling interest	(60,135)	163,554	7,472	273,524
(Benefit) provision for income taxes	(19,727)	23,807	1,629	42,767
(Loss) income before equity in earnings of unconsolidated subsidiaries	(40,408)	139,747	5,843	230,757
Equity in earnings of unconsolidated subsidiaries – related parties	69,531	4,802	73,488	10,578
Net income	$ 29,123	$ 144,549	$ 79,331	$ 241,335
Net income attributable to non-controlling interest and redeemable non-controlling interest of subsidiaries	(6,723)	(5,817)	(17,728)	(9,834)
Net income attributable to AmTrust Financial Services, Inc.	$ 22,400	$ 138,732	$ 61,603	$ 231,501
Dividends on preferred stock	(16,571)	(11,576)	(33,142)	(20,367)
Net income attributable to AmTrust common stockholders	$ 5,829	$ 127,156	$ 28,461	$ 211,134
Earnings per common share:				
Basic earnings per share	$ 0.03	$ 0.73	$ 0.16	$ 1.21
Diluted earnings per share	$ 0.03	$ 0.73	$ 0.16	$ 1.20
Dividends declared per common share	$ 0.17	$ 0.15	$ 0.34	$ 0.30

See accompanying notes to unaudited consolidated financial statements.

AMTRUST FINANCIAL SERVICES, INC.
Consolidated Statements of Comprehensive Income (unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016 (As restated)	2017	2016 (As restated)
Net income	$ 29,123	$ 144,549	$ 79,331	$ 241,335
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	62,663	(32,809)	76,526	(80,003)
Change in fair value of interest rate swap	28	168	120	287
Unrealized gain on securities:				
Gross unrealized holding gain	66,029	170,466	98,060	298,119
Tax expense arising during period	16,521	62,093	22,961	106,772
Net unrealized holding gain	49,508	108,373	75,099	191,347
Reclassification adjustments for investment gain included in net income, net of tax:				
Other-than-temporary impairment loss	—	(10,537)	—	(10,537)
Other net realized (gain) loss on investments	(19,228)	2,920	(30,858)	2,492
Reclassification adjustments for investment gain included in net income:	(19,228)	(7,617)	(30,858)	(8,045)
Other comprehensive income, net of tax	92,971	68,115	120,887	103,586
Comprehensive income	122,094	212,664	200,218	344,921
Less: Comprehensive income attributable to redeemable non-controlling interest and non-controlling interest	6,723	5,817	17,728	9,834
Comprehensive income attributable to AmTrust Financial Services, Inc.	$ 115,371	$ 206,847	$ 182,490	$ 335,087

See accompanying notes to unaudited consolidated financial statements.

AMTRUST FINANCIAL SERVICES, INC.
Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	Six Months Ended June 30,	
	2017	2016
		(As restated)
Cash flows from operating activities:		
Net income	$ 79,331	$ 241,335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	81,503	59,865
Net amortization of bond premium or discount	10,841	9,707
Equity earnings on investment in unconsolidated subsidiaries [1]	(73,488)	(10,578)
Gain on investment in life settlement contracts, net	(7,349)	(23,406)
Net realized gain on investments	(32,070)	(40,030)
Non-cash write-down of investments	—	16,956
Discount on notes payable	3,256	2,910
Stock based compensation	11,099	11,542
Bad debt expense	17,407	8,241
Foreign currency loss	76,916	67,228
Gain on acquisition	—	(48,775)
Changes in assets - (increase) decrease:		
Premiums and notes receivables	(188,177)	(376,594)
Reinsurance recoverable	(1,051,177)	(174,241)
Deferred policy acquisition costs	(184,328)	(104,759)
Prepaid reinsurance premiums	(172,816)	(392,881)
Other assets	(77,869)	205,431
Changes in liabilities - increase (decrease):		
Ceded reinsurance premium payable	102,322	185,275
Loss and loss adjustment expense reserve	685,405	780,599
Unearned premiums	304,162	383,135
Funds held under reinsurance treaties	46,751	(28,041)
Accrued expenses and other liabilities	645,831	(124,170)
Net cash provided by operating activities	277,550	648,749
Cash flows from investing activities:		
Purchases of fixed maturities, available-for-sale	(1,112,415)	(1,100,754)
Purchases of equity securities, available-for-sale	(11,223)	(20,424)
Purchase of equity securities, trading	(312,912)	(100,087)
Purchase of other investments	(15,593)	(11,345)
Sales, maturities, paydowns of fixed maturities, available-for-sale	988,305	699,304
Sales of equity securities, available-for-sale	151,676	11,697
Sales of equity securities, trading	309,415	102,267
Sales of other investments	65,730	1,242
Net sale of short term investments	34	7,303
Net sale (purchase) of securities sold but not purchased	21,486	(17,448)
Payment of life settlement contracts	(16,473)	—
Receipt of life settlement contract proceeds	33,163	8,058
Acquisition of subsidiaries, net of cash received [2]	(97,786)	(118,607)
Sale of equity method investment [1]	211,290	—
Increase in restricted cash and cash equivalents	(129,264)	(211,285)
Purchase of property and equipment	(188,743)	(84,094)
Net cash used in investing activities	(103,310)	(834,173)

	Six Months Ended June 30,	
	2017	2016
		As restated
Cash flows from financing activities:		
Repurchase agreements, net	(128,572)	366,860
Secured loan agreements borrowings	105,559	39,361
Secured loan agreements payments	(7,488)	(3,569)
Promissory notes payments	(52,343)	—
Financing fees	(154)	—
Common stock issuance	298,747	276
Common stock repurchase	—	(103,509)
Preferred stock issuance	—	139,070
Contingent consideration payments	(5,011)	(23,446)
Non-controlling interest capital contributions from consolidated subsidiaries, net	12,437	(5,301)
Stock option exercise and other	(1,438)	(7,084)
Dividends distributed on common stock	(58,097)	(52,624)
Dividends distributed on preferred stock	(33,142)	(20,367)
Net cash provided by financing activities	130,498	329,667
Effect of exchange rate changes on cash	19,082	(20,613)
Net increase in cash and cash equivalents	323,820	123,630
Cash and cash equivalents, beginning of the year	567,771	1,003,916
Cash and cash equivalents, end of the period	$ 891,591	$ 1,127,546

(1) 2017 amounts relate to the sale of shares of National General Holding Corp. See Note 10 for more information.
(2) Primarily relates to the acquisitions of AmeriHeath Casualty Insurance Company, PDP Group, Inc., and other immaterial subsidiaries. See Note 11 for more information.

See accompanying notes to unaudited consolidated financial statements.

1. Basis of Reporting

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by GAAP for complete financial statements. These interim statements should be read in conjunction with the consolidated financial statements and notes thereto included in the AmTrust Financial Services, Inc. ("AmTrust" or the "Company") Annual Report on Form 10-K for the year ended December 31, 2016 , previously filed with the Securities and Exchange Commission ("SEC") on April 4, 2017 .

These interim consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim period and all such adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative, if annualized, of those to be expected for the full year. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

A detailed description of the Company's significant accounting policies and management judgments is located in the audited consolidated financial statements for the year ended December 31, 2016 , included in the Company's Annual Report on Form 10-K ("Form 10-K") filed with the SEC.

All material inter-company transactions and accounts have been eliminated in the consolidated financial statements.

To facilitate period-to-period comparisons, certain reclassifications have been made to prior period consolidated financial statement amounts to conform to current period presentation.

As previously disclosed, on March 14, 2017 , the Audit Committee of our Board of Directors, in consultation with management and our current and former independent registered public accounting firms, concluded that our previously issued Consolidated Financial Statements for fiscal years 2015 and 2014 , along with each of the four quarters included in fiscal year 2015 as well as the first three quarters of fiscal year 2016 , needed to be restated. Accordingly, within this report, we have included restated unaudited quarterly financial statements for the second quarter of 2016 . See our Form 10-K for the year ended December 31, 2016 and Quarterly Report on Form 10-Q/A for the period ended June 30, 2016 for more information.

2. Recent Accounting Pronouncements

With the exception of those discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the six months ended June 30, 2017 , as compared to those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 , that are of significance, or potential significance, to the Company.

Recent Accounting Standards, Adopted

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows, and accounting for forfeitures. The adoption of this guidance on January 1, 2017 did not have a material effect on the Company's results of operations, financial position or cash flows.

In March 2016, the FASB issued ASU 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting* , which eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The guidance requires the equity method investor to add the cost of acquiring additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The Company adopted this guidance on a prospective basis. The adoption of this guidance on January 1, 2017 did not have a material effect on the Company's results of operations, financial position or cash flows.

In March 2016, the FASB issued ASU 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments* , which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amended guidance in this ASU is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence prescribed by Topic 815. The Company adopted this guidance on a modified retrospective basis. The adoption of this guidance on January 1, 2017 did not have a material effect on the Company's results of operations, financial position or cash flows.

In March 2016, the FASB issued ASU 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* , which clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The Company adopted this guidance on a modified retrospective basis. The adoption of this guidance on January 1, 2017 did not have a material effect on the Company's results of operations, financial position or cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* , which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance specifies that when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted and prospective application is required. The Company early adopted this guidance effective January 1, 2017. The adoption of this guidance did not have a material impact on the Company's results of operations, financial position or cash flows.

Recent Accounting Standards, Not Yet Adopted

In March 2017, the FASB issued ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* . The new guidance shortens the amortization period for the premium on callable debt securities to the earliest call date. The amortization period for the discount on callable debt securities is not changed by the new guidance, and continues to be amortized to maturity. The new guidance more closely aligns interest income recorded on debt securities held at a premium or a discount with the economics of the underlying instrument. The guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those periods. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations* , which improves the operability and understandability of the implementation guidance on principal versus agent considerations by clarifying that 1) an entity determines whether it is a principal or an agent for each specific good or service promised to the customer; 2) an entity determines the nature of each specific good or service; 3) when another party is involved in providing goods or services to a customer, an entity that is a principal obtains control of (a) a good or another asset from the other party that it then transfers to the customer, (b) a right to a service that will be performed by another party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf, or (c) a good or service from the other party that is combined with other goods or services to provide the specific good or service to the customer; and 4) the purpose of the indicators in paragraph 606-10-55-39 in Topic 606 is to support or assist in the assessment of control. The effective date and transition requirement for this ASU are the same as the effective date and transition requirements of ASU 2014-09, which were deferred to the quarter ending March 31, 2018 by ASU 2015-14. Adoption of this ASU is not expected to have a material impact on the Company's insurance operations, but may have a material impact on the Company's non-insurance operations.

In March 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* which requires that an employer present service cost in the same line item or items as other current employee compensation costs, and present the remaining components of net benefit cost in one or more separate line items outside of income from operations (if that subtotal is presented). In addition, this ASU limits the components of net benefit cost eligible to be capitalized to service cost. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods. This standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The ASU requires lessees to put most leases on their balance sheets as a lease liability with a corresponding right-of-use asset, but continue to recognize the related leasing expense within net income. The definition of a lease was modified to exemplify the concept of control over an asset identified in the lease. Lease classification criteria remains substantially similar to criteria in current lease guidance. The guidance defines which payments can be used in determining lease classification. For short-term leases with a term of 12 months or less, lessees can make a policy election not to recognize lease assets and lease liabilities. Lessor accounting is largely unchanged. Leveraged leases that commenced before the effective date of the new guidance are grandfathered. New disclosures are required, and certain practical expedients are allowed upon adoption. This accounting and disclosure guidance will be effective for interim and annual reporting periods beginning after December 15, 2018 and should be implemented using the modified retrospective approach. Early adoption is permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In February 2017, the FASB issued ASU 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets,* which clarifies that ASC 610-20 applies to the derecognition of nonfinancial assets and in substance nonfinancial assets unless other specific guidance applies. As a result, the new guidance will not apply to the derecognition of businesses, nonprofit activities, or financial assets (including equity method investments), or to revenue transactions (contracts with customers). The new guidance also clarifies that an in substance nonfinancial asset is an asset or group of assets for which substantially all of the fair value consists of nonfinancial assets and the group or subsidiary is not a business. In addition, transfers of nonfinancial assets to another entity in exchange for a noncontrolling ownership interest in that entity will be accounted for under ASC 610-20, removing specific guidance on such partial exchanges from ASC 845, *Nonmonetary Transactions* . As a result of the new guidance, the guidance specific to real estate sales in ASC 360-20 will be eliminated. As such, sales and partial sales of real estate assets will now be subject to the same derecognition model as all other nonfinancial assets. This guidance is effective for fiscal years beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted, but only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* , which simplifies the accounting for goodwill impairment charges. Under the current guidance, if the fair value of a reporting unit is lower than its carrying amount, an entity calculates any impairment charge by comparing the implied fair value of goodwill with its carrying amount. The implied fair value of goodwill is calculated by deducting the fair value of all assets and liabilities of the reporting unit from the reporting unit's fair value. Under the new guidance, an entity will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value not to exceed the amount of goodwill allocated to that reporting unit. The guidance is effective in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company is evaluating the requirements of this guidance and the potential impact on the Company's financial position and results of operations.

3. Investments

(a) Available-for-Sale Securities

The cost or amortized cost, gross unrealized gains and losses, and estimated fair value of fixed maturity and equity securities classified as available-for-sale as of June 30, 2017 and December 31, 2016 , are presented below:

As of June 30, 2017	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Fixed Maturity Securities:				
U.S. treasury securities	$ 356,281	$ 1,177	$ (1,711)	$ 355,747
U.S. government agencies	13,762	41	(7)	13,796
Municipal bonds	925,039	15,092	(5,318)	934,813
Foreign government	190,445	4,238	(1,113)	193,570
Corporate bonds:				
Finance	1,554,129	44,021	(3,080)	1,595,070
Industrial	2,220,747	61,374	(8,288)	2,273,833
Utilities	369,235	10,948	(1,430)	378,753
Commercial mortgage-backed securities	474,262	4,594	(4,551)	474,305
Residential mortgage-backed securities:				
Agency backed	902,351	13,527	(6,099)	909,779
Non-agency backed	4,326	2	(95)	4,233
Collateralized loan / debt obligation	501,560	9,747	(385)	510,922
Asset backed securities	128,987	878	(127)	129,738
Total fixed maturity securities	$ 7,641,124	$ 165,639	$ (32,204)	$ 7,774,559
Equity Securities:				
Preferred stock	$ 756	$ 21	$ —	$ 777
Common stock	80,722	28,358	(1,027)	108,053
Total equity securities	$ 81,478	$ 28,379	$ (1,027)	$ 108,830

As of December 31, 2016	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed Maturity Securities:				
U.S. treasury securities	$ 331,036	$ 1,235	$ (1,617)	$ 330,654
U.S. government agencies	63,467	282	(17)	63,732
Municipal bonds	860,444	9,603	(15,877)	854,170
Foreign government	149,365	4,237	(726)	152,876
Corporate bonds:				
Finance	1,535,606	38,404	(7,722)	1,566,288
Industrial	2,222,843	62,133	(17,115)	2,267,861
Utilities	195,607	4,433	(1,210)	198,830
Commercial mortgage backed securities	178,092	2,464	(2,562)	177,994
Residential mortgage backed securities:				
Agency backed	1,210,229	13,685	(13,529)	1,210,385
Non-agency backed	61,646	586	(1,003)	61,229
Collateralized loan / debt obligations	476,767	8,389	(751)	484,405
Asset backed securities	29,939	31	(260)	29,710
Total fixed maturity securities	$ 7,315,041	$ 145,482	$ (62,389)	$ 7,398,134
Equity Securities:				
Preferred stock	$ 4,044	$ —	$ (59)	$ 3,985
Common stock	122,626	12,899	(2,348)	133,177
Total equity securities	$ 126,670	$ 12,899	$ (2,407)	$ 137,162

Investments in foreign government securities include securities issued by national entities as well as instruments that are unconditionally guaranteed by such entities. As of June 30, 2017 , the Company's foreign government securities were issued or guaranteed primarily by governments in Europe, Canada and Israel.

Proceeds from the sale of investments in available-for-sale securities were approximately $623,177 and $585,894 , respectively, during the three months ended June 30, 2017 and 2016 , and were approximately $1,139,981 and $711,001 , respectively, for the six months ended June 30, 2017 and 2016 .

A summary of the Company's available-for-sale fixed maturity securities as of June 30, 2017 and December 31, 2016 , by contractual maturity, is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 265,819	$ 266,562	$ 319,275	$ 319,882
Due after one through five years	3,152,712	3,216,906	2,956,429	2,998,711
Due after five through ten years	1,737,598	1,780,579	1,645,211	1,683,112
Due after ten years	473,509	481,535	437,452	432,702
Mortgage and asset backed securities	2,011,486	2,028,977	1,956,674	1,963,727
Total fixed maturity securities	$ 7,641,124	$ 7,774,559	$ 7,315,041	$ 7,398,134

The tables below summarize the gross unrealized losses of our fixed maturity and equity securities by length of time the security has continuously been in an unrealized loss position as of June 30, 2017 and December 31, 2016 :

	Less Than 12 Months		12 Months or More		Total	
As of June 30, 2017	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed Maturity Securities:						
U.S. treasury securities	$ 296,565	$ (1,709)	$ 689	$ (2)	$ 297,254	$ (1,711)
U.S. government agencies	4,261	(7)	—	—	4,261	(7)
Municipal bonds	382,730	(5,087)	8,526	(231)	391,256	(5,318)
Foreign government	78,986	(1,046)	1,933	(67)	80,919	(1,113)
Corporate bonds:						
Finance	295,860	(3,068)	4,032	(12)	299,892	(3,080)
Industrial	459,696	(8,024)	11,821	(264)	471,517	(8,288)
Utilities	79,036	(1,429)	507	(1)	79,543	(1,430)
Commercial mortgage-backed securities	254,002	(4,118)	8,165	(433)	262,167	(4,551)
Residential mortgage-backed securities:						
Agency backed	405,149	(6,038)	2,488	(61)	407,637	(6,099)
Non-agency backed	1,569	(10)	2,539	(85)	4,108	(95)
Collateralized loan / debt obligations	61,780	(379)	800	(6)	62,580	(385)
Asset backed securities	21,888	(98)	1,587	(29)	23,475	(127)
Total fixed maturity securities	$ 2,341,522	$ (31,013)	$ 43,087	$ (1,191)	$ 2,384,609	$ (32,204)
Equity Securities:						
Common stock	$ 12,077	$ (1,027)	$ —	$ —	$ 12,077	$ (1,027)

	Less Than 12 Months		12 Months or More		Total	
As of December 31, 2016	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed Maturity Securities:						
U.S. treasury securities	$ 293,155	$ (1,613)	$ 22,989	$ (4)	$ 316,144	$ (1,617)
U.S. government agencies	7,866	(17)	—	—	7,866	(17)
Municipal bonds	519,578	(15,207)	15,742	(670)	535,320	(15,877)
Foreign government	128,863	(688)	12,659	(38)	141,522	(726)
Corporate bonds:						
Finance	1,071,982	(7,210)	16,840	(512)	1,088,822	(7,722)
Industrial	1,200,129	(13,648)	114,035	(3,467)	1,314,164	(17,115)
Utilities	119,488	(423)	10,391	(787)	129,879	(1,210)
Commercial mortgage-backed securities	71,780	(1,654)	10,910	(908)	82,690	(2,562)
Residential mortgage-backed securities:						
Agency backed	718,098	(13,469)	8,144	(60)	726,242	(13,529)
Non-agency backed	24,372	(869)	4,462	(134)	28,834	(1,003)
Collateralized loan / debt obligations	97,923	(433)	32,937	(318)	130,860	(751)
Asset backed securities	9,220	(124)	4,926	(136)	14,146	(260)
Total fixed maturity securities	$ 4,262,454	$ (55,355)	$ 254,035	$ (7,034)	$ 4,516,489	$ (62,389)
Equity Securities:						
Preferred stock	$ 529	$ (30)	$ —	$ (29)	$ 529	$ (59)
Common stock	46,254	(1,394)	9,991	(954)	56,245	(2,348)
Total equity securities	$ 46,783	$ (1,424)	$ 9,991	$ (983)	$ 56,774	$ (2,407)

There are 1,695 and 2,125 securities at June 30, 2017 and December 31, 2016 , respectively, that account for the gross unrealized loss, none of which is deemed by the Company to be other-than-temporarily impaired ("OTTI"). At June 30, 2017 , the Company determined that the unrealized losses on fixed maturity securities were primarily due to market interest rate movements since their date of purchase. On a quarterly basis, the Company analyzes securities in an unrealized loss position for OTTI. The Company considers an investment to be impaired when it has been in an unrealized loss position greater than a de minimis threshold for over 12 months, excluding securities backed by the U.S. government (e.g., U.S. treasury securities or agency-backed residential mortgage-backed securities). Additionally, the Company reviews whether any of the impaired positions related to securities for which OTTI was previously recognized, and whether the Company intends to sell any of the securities in an unrealized loss position.

Once the Company completes the analysis described above, each security is further evaluated to assess whether the decline in the fair value of any investment below its cost basis is deemed other-than-temporary. The Company considers many factors in completing its quarterly review of securities with unrealized losses for OTTI. For equity securities, the Company considers the length of time and the extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer, and the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value. For fixed maturity securities, the Company considers among other things, the length of time and the extent to which the fair value has been less than the amortized cost basis, adverse conditions and near-term prospects for improvement specifically related to the issuer, industry or geographic area, the historical and implied volatility of the fair value of the security, any information obtained from regulators and rating agencies, the issuer's capital strength and the payment structure of the security and the likelihood the issuer will be able to make payments in the future (or the historical failure of the issuer to make scheduled interest or principal payments or payment of dividends).

For equity securities, a decline in fair value that is considered to be other-than-temporary is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. For fixed maturity securities where the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, a decline in fair value is considered to be other-than-temporary and is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. If the decline in fair value of a fixed maturity security below its amortized cost is considered to be other-than-temporary based upon other considerations, the Company compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the credit-related portion of the other-than-temporary impairment, which is recognized in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the non-credit portion of the other-than-temporary impairment, which is recognized in other comprehensive income (loss).

There were no credit-related OTTI charges for the three and six months ended June 30, 2017 .

(b) Trading Securities

The original or amortized cost, estimated fair value and gross unrealized gains and losses of trading securities as of June 30, 2017 and December 31, 2016 are presented in the tables below:

As of June 30, 2017	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed Maturity Securities				
Municipal bonds	$ 837	$ —	$ (8)	$ 829
Corporate bonds:				
Industrial	27,325	140	(3,491)	23,974
Total Fixed Maturity Securities	$ 28,162	$ 140	$ (3,499)	$ 24,803
Common stock	$ 92,700	$ 2,847	$ (10,973)	$ 84,574

As of December 31, 2016	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed Maturity Securities				
Corporate bonds:				
Industrial	$ 24,151	$ 4,379	$ —	$ 28,530
Utilities	4,930	322	—	5,252
Total Fixed Maturity Securities	$ 29,081	$ 4,701	$ —	$ 33,782
Common stock	$ 76,163	$ 9,842	$ (4,045)	$ 81,960

Proceeds from the sale of investments in trading securities were approximately $177,570 and $49,517 , respectively, during the three months ended June 30, 2017 and 2016 , and were approximately $309,415 and $102,267 , respectively, during the six months ended June 30, 2017 and 2016 .

The table below shows the portion of trading gains and losses for the period related to trading securities still held during the three and six months ended June 30, 2017 and 2016 :

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net gains and losses recognized during the period on trading securities	$ (11,980)	$ (260)	$ (15,240)	$ 2,496
Less: Net gains and losses recognized during the period on trading securities sold during the period	(2,065)	1,014	651	7,387
Unrealized gains and losses recognized during the reporting period on trading securities still held at the reporting date	$ (9,915)	$ (1,274)	$ (15,891)	$ (4,891)

(c) Investment Income

Net investment income for the three and six months ended June 30, 2017 and 2016 was derived from the following sources:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Fixed maturity securities, available-for-sale	$ 69,381	$ 46,235	$ 126,650	$ 92,428
Equity securities, available-for-sale	169	4,098	1,569	6,462
Fixed maturity securities, trading	—	—	1,032	—
Equity securities, trading	2	(125)	20	(278)
Cash and short term investments	1,888	686	3,282	1,772
Other invested assets [1]	(19,240)	—	(15,001)	—
	52,200	50,894	117,552	100,384
Less:				
Investment expenses	(2,974)	(149)	(5,001)	(224)
	$ 49,226	$ 50,745	$ 112,551	$ 100,160

[1] Includes losses from equity method investments.

(d) Realized Gains and Losses

The tables below summarize the gross and net realized gains and (losses) for the three and six months ended June 30, 2017 and 2016 :

Three Months Ended June 30, 2017	Gross Gains	Gross Losses	Net Gains (Losses)
Fixed maturity securities, available-for-sale	$ 14,136	$ (793)	$ 13,343
Equity securities, available-for-sale	7,288	(958)	6,330
Fixed maturity securities, trading	2,819	(4,335)	(1,516)
Equity securities, trading	2,401	(12,865)	(10,464)
Other investments	15,762	—	15,762
	$ 42,406	$ (18,951)	$ 23,455

Three Months Ended June 30, 2016	Gross Gains	Gross Losses	Net Gains (Losses)
Fixed maturity securities, available-for-sale	$ 35,008	$ (1,571)	$ 33,437
Equity securities, available-for-sale	608	(658)	(50)
Equity securities, trading	5,315	(5,575)	(260)
Other investments	4	(1,076)	(1,072)
Write-down of equity securities, available-for-sale	—	(16,956)	(16,956)
	$ 40,935	$ (25,836)	$ 15,099

Six Months Ended June 30, 2017	Gross Gains	Gross Losses	Net Gains (Losses)
Fixed maturity securities, available-for-sale	$ 22,447	$ (2,056)	$ 20,391
Equity securities, available-for-sale	12,511	(1,599)	10,912
Fixed maturity securities, trading	5,193	(9,769)	(4,576)
Equity securities, trading	8,487	(19,151)	(10,664)
Other investments	16,027	(20)	16,007
	$ 64,665	$ (32,595)	$ 32,070

Six Months Ended June 30, 2016	Gross Gains	Gross Losses	Net Gains (Losses)
Fixed maturity securities, available-for-sale	$ 39,811	$ (1,617)	$ 38,194
Equity securities, available-for-sale	1,268	(799)	469
Equity securities, trading	14,927	(12,431)	2,496
Other investments	4	(1,133)	(1,129)
Write-down of equity securities, available-for-sale	—	(16,956)	(16,956)
	$ 56,010	$ (32,936)	$ 23,074

On June 9, 2017 , the Company announced that it entered into agreements to sell 10,586 common shares of National General Holdings Corp. ("NGHC"), a related party, at a price of $20.00 per share (representing a discount of 8.3% to NGHC's common stock closing market price on the Nasdaq Stock Exchange on June 8, 2017). The sale was completed through separate, privately negotiated purchase agreements with unaffiliated third parties and resulted in a $68,425 realized gain, which is reflected in the Equity in earnings of unconsolidated subsidiaries - related parties caption on the Consolidated Statements of Income.

(f) Restricted Cash and Investments

The Company, in order to conduct business in certain states, is required to maintain letters of credit or assets on deposit to support state mandated regulatory requirements and certain third party agreements. The Company also utilizes trust accounts to collateralize business with its reinsurance counterparties. These assets are primarily in the form of cash and certain high grade securities. The fair values of the Company's restricted assets as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
Restricted cash and cash equivalents	$ 855,672	$ 713,338
Restricted investments - fixed maturity at fair value	2,602,094	2,126,216
Total restricted cash, cash equivalents, and investments	$ 3,457,766	$ 2,839,554

(g) Other

Securities sold but not yet purchased are securities that the Company has sold, but does not own, in anticipation of a decline in the market value of the security. For more information related to these agreements, please see Note 4 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company's liability for securities to be delivered is measured at their fair value and was $64,947 and $36,394 as of June 30, 2017 and December 31, 2016 , respectively.

From time to time, the Company enters into repurchase agreements that are subject to a master netting arrangement, which are accounted for as collateralized borrowing transactions and are recorded at contract amounts. The Company receives cash or securities that it invests or holds in short term or fixed income securities. As of June 30, 2017 , the Company had two outstanding repurchase agreements with one counter-party. The principal amount of these agreements totaled $31,698 , which approximates fair value. These repurchase agreements bore interest at a rate of 1.37% . The Company had approximately $33,149 of collateral pledged in support of these agreements. Interest expense associated with these repurchase agreements was $12 for the three and six months ended June 30, 2017. As of December 31, 2016, the Company had thirteen repurchase agreements with an outstanding principal amount of $160,270 , which approximates fair value, at interest rates between 0.75% and 0.90% . The Company had approximately $175,700 of collateral pledged in support of these agreements.

4. Fair Value of Financial Instruments

The following tables present the level within the fair value hierarchy at which the Company's financial assets and financial liabilities are measured on a recurring basis as of June 30, 2017 and December 31, 2016 :

As of June 30, 2017	Total	Level 1	Level 2	Level 3
Financial Assets:				
U.S. treasury securities	$ 355,747	$ 355,747	$ —	$ —
U.S. government agencies	13,796	—	13,796	—
Municipal bonds	935,642	—	935,642	—
Foreign government	193,570	—	191,359	2,211
Corporate bonds and other bonds:				
Finance	1,595,070	—	1,581,452	13,618
Industrial	2,297,807	—	2,295,722	2,085
Utilities	378,753	—	378,753	—
Commercial mortgage-backed securities	474,305	—	450,707	23,598
Residential mortgage-backed securities:				
Agency backed	909,779	—	909,779	—
Non-agency backed	4,233	—	4,233	—
Collateralized loan / debt obligations	510,922	—	510,922	—
Asset-backed securities	129,738	—	129,738	—
Equity securities, available-for-sale	108,830	86,584	898	21,348
Equity securities, trading	84,574	82,498	25	2,051
Life settlement contracts	396,782	—	—	396,782
Total Financial Assets	$ 8,389,548	$ 524,829	$ 7,403,026	$ 461,693
Financial Liabilities:				
Securities sold but not yet purchased, at fair value	$ 64,947	$ 64,947	$ —	$ —
Securities sold under agreements to repurchase, at contract value	31,698	—	31,698	—
Life settlement contract profit commission	5,714	—	—	5,714
Contingent consideration	97,615	—	—	97,615
Total Financial Liabilities	$ 199,974	$ 64,947	$ 31,698	$ 103,329

As of December 31, 2016	Total	Level 1	Level 2	Level 3
Financial Assets:				
U.S. treasury securities	$ 330,654	$ 330,654	$ —	$ —
U.S. government agencies	63,732	—	63,732	—
Municipal bonds	854,170	—	854,170	—
Foreign government	152,876	—	149,298	3,578
Corporate bonds and other bonds:				
Finance	1,566,288	—	1,559,800	6,488
Industrial	2,296,391	—	2,291,351	5,040
Utilities	204,082	—	199,503	4,579
Commercial mortgage-backed securities	177,994	—	177,994	—
Residential mortgage-backed securities:				
Agency backed	1,210,385	—	1,186,315	24,070
Non-agency backed	61,229	—	58,109	3,120
Collateralized loan / debt obligations	484,405	—	484,405	—
Asset-backed securities	29,710	—	29,710	—
Equity securities, available-for-sale	137,162	66,228	49,618	21,316
Equity securities, trading	81,960	78,827	—	3,133
Life settlement contracts	356,856	—	—	356,856
Total Financial Assets	$ 8,007,894	$ 475,709	$ 7,104,005	$ 428,180
Financial Liabilities:				
Securities sold but not yet purchased, at fair value	$ 36,394	$ 36,394	$ —	$ —
Fixed maturity securities sold but not yet purchased	160,270	—	160,270	—
Life settlement contract profit commission	4,940	—	—	4,940
Contingent consideration (as restated)	71,657	—	—	71,657
Derivatives	243	—	243	—
Total Financial Liabilities	$ 273,504	$ 36,394	$ 160,513	$ 76,597

Transfers between Level 1 and Level 2 for all periods presented are due to changes in the availability of observable market information and re-evaluation of the observability of pricing inputs. During the period ended June 30, 2017 , there were $34,318 of transfers from Level 2 to Level 1.

The following table provides a summary of changes in fair value of the Company's Level 3 financial assets and liabilities for the three and six months ended June 30, 2017 and 2016 . The transfers into and out of Level 3 were due to changes in the availability of market observable inputs. All transfers are reflected in the table at fair value as of the end of the reporting period.

	Balance as of March 31, 2017	Net income (loss)	Other comprehensive income	Purchases and issuances	Sales and settlements	Net transfers into (out of) Level 3	Balance as of June 30, 2017
Equity securities, trading	$ 4,117	$ (74)	$ —	$ —	$ —	$ (1,992)	$ 2,051
Equity securities, available-for-sale	17,383	—	93	76	(16,748)	20,544	21,348
Fixed maturities, available-for-sale	35,173	—	225	5,166	(2,312)	3,260	41,512
Life settlement contracts	397,493	13,121	—	1,250	(15,082)	—	396,782
Life settlement contract profit commission	(5,599)	(115)	—	—	—	—	(5,714)
Contingent consideration	(72,330)	(3,117)	—	(27,179)	5,011	—	(97,615)
Total	$ 376,237	$ 9,815	$ 318	$ (20,687)	$ (29,131)	$ 21,812	$ 358,364

	Balance as of December 31, 2016	Net income (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Net transfers into (out of) Level 3	Balance as of June 30, 2017
Equity securities, trading	$ 3,133	$ (422)	$ —	$ 4,484	$ (2,134)	$ (3,010)	$ 2,051
Equity securities, available-for-sale	21,316	—	338	76	(16,748)	16,366	21,348
Fixed maturities, available-for-sale	46,875	—	(489)	7,505	(2,775)	(9,604)	41,512
Life settlement contracts	356,856	48,616	—	16,473	(25,163)	—	396,782
Life settlement contract profit commission	(4,940)	(774)	—	—	—	—	(5,714)
Contingent consideration	(71,657)	(3,790)	—	(27,179)	5,011	—	(97,615)
Total	$ 351,583	$ 43,630	$ (151)	$ 1,359	$ (41,809)	$ 3,752	$ 358,364

	Balance as of March 31, 2016	Net income (loss)	Other comprehensive loss	Purchases and issuances	Sales and settlements	Net transfers into (out of) Level 3	Balance as of June 30, 2016
Equity securities, available-for-sale	$ 25,556	$ —	$ (776)	$ (16)	$ —	$ —	$ 24,764
Life settlement contracts	294,573	28,532	—	11,330	(30,001)	—	304,434
Life settlement contract profit commission	(7,168)	(1,886)	—	—	—	—	(9,054)
Contingent consideration	(73,867)	(3,587)	—	(11,461)	13,143	—	(75,772)
Total	$ 239,094	$ 23,059	$ (776)	$ (147)	$ (16,858)	$ —	$ 244,372

	Balance as of January 1, 2016	Net income (loss)	Other comprehensive loss	Purchases and issuances	Sales and settlements	Net transfers into (out of) Level 3	Balance as of June 30, 2016
Equity securities, available-for-sale	$ 37,211	$ —	$ (12,449)	$ 2	$ —	$ —	$ 24,764
Life settlement contracts	264,001	59,161	—	11,330	(30,058)	—	304,434
Life settlement contract profit commission	(15,406)	(9,054)	—	—	15,406	—	(9,054)
Contingent consideration (as restated)	(84,760)	(5,998)	—	(8,460)	23,446	—	(75,772)
Total	$ 201,046	$ 44,109	$ (12,449)	$ 2,872	$ 8,794	$ —	$ 244,372

A reconciliation of net income for life settlement contracts in the above table to gain (loss) on investment in life settlement contracts net of profit commission included in the Consolidated Statements of Income for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 13,121	$ 28,532	$ 48,616	$ 59,161
Premiums paid	(13,460)	(13,354)	(38,734)	(25,456)
Profit commission	(115)	(1,886)	(774)	(9,054)
Other expenses	(807)	(616)	(1,759)	(1,245)
(Loss) gain on investment in life settlement contracts	$ (1,261)	$ 12,676	$ 7,349	$ 23,406

The Company uses the following methods and assumptions in estimating its fair value disclosures for financial instruments:

- *Equity and Fixed Maturity Investments:* As of June 30, 2017 , the Company's Level 3 equity securities consisted primarily of privately placed warrants of companies that have publicly traded common stock. The fair value of these equity securities as of June 30, 2017 was derived from the quoted price of the underlying common stock adjusted for other inputs that are not market observable.
- *Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, and Short Term Investments:* The carrying value of cash and cash equivalents, restricted cash and cash equivalents, and short term investments approximate their respective fair value and are classified as Level 1 in the fair value hierarchy.
- *Premiums Receivable, Accrued Interest, Reinsurance Recoverables:* The carrying values reported in the accompanying balance sheets for these financial instruments approximate their fair values due to the short term nature of the asset and are classified as Level 1 in the financial hierarchy.
- *Equity Investment in Unconsolidated Subsidiaries - Related Party:* In June 2017, the Company sold 10,586 common shares of NGHC. As a result of the sale, the Company ceased accounting for this investment under the equity method and has classified its remaining $36,069 investment in NGHC common stock as equity securities, available-for-sale. Refer to Notes 3 and 10 for more information.
- *Subordinated Debentures and Debt:* The fair value of the Company's debt arrangements as of June 30, 2017 was as follows:

	Carrying Value	Fair Value
6.125% Notes due 2023	$ 248,322	$ 246,684
2.75% Convertible senior notes due 2044	169,615	176,132
7.25% Subordinated Notes due 2055	145,265	150,120
7.50% Subordinated Notes due 2055	130,739	137,268
Revolving credit facility	130,000	130,000
Junior subordinated debentures due 2035-2037	122,072	98,600
Trust preferred securities due 2033-2037	92,786	85,811
Republic promissory note	52,343	53,484
Other	193,487	193,487
Total	$ 1,284,629	$ 1,271,586

The 7.25% subordinated notes due 2055, the 7.50% subordinated notes due 2055, the 2.75% convertible senior notes due 2044, and the 6.125% notes due 2023 are publicly traded instruments and are classified as Level 1 in the fair value hierarchy. The fair value of the junior subordinated debentures due 2035-2037 and trust preferred securities due 2033-2037 were determined using the Black-Derman-Toy interest rate lattice model and are classified as Level 3 in the fair value hierarchy. In determining the fair value of its remaining debt, the Company uses estimates based on rates currently available to the Company for debt with similar terms and remaining maturities. Accordingly, the fair value of the Republic promissory note and other debt is classified as Level 2 within the valuation hierarchy. The Company considers its other debt's carrying value to approximate fair value as their interest rates approximate current borrowing rates.

- *Contingent consideration:* The fair value of contingent consideration is based on a discounted cash flow methodology and is classified as Level 3 in the fair value hierarchy. The range of discount rates used for contingent consideration was primarily between 8% and 30% .
- *Life settlement contracts and life settlement contract profit commission:* Life settlement contracts are described in Note 5. "Investments in Life Settlements" elsewhere in this report. The fair value of life settlement contracts as well as life settlement profit commission liability is based on information available to the Company at the end of the reporting period. These financial instruments are classified as Level 3 in the fair value hierarchy. The Company considers the following factors in its fair value estimates: cost at date of purchase, recent purchases and sales of similar investments (if available and applicable), financial standing of the issuer, changes in economic conditions affecting the issuer, maintenance cost, premiums, benefits, standard actuarially developed mortality tables and life expectancy reports prepared by nationally recognized and independent third party medical underwriters. The Company estimates the fair value of policies in the portfolio based on the expected cash flow to be generated by the policies (death benefit less premium payments), discounted to reflect the cost of funding, policy specific adjustments and reserves. In order to confirm the integrity of their calculation of fair value, the Company, quarterly, retains an independent third-party actuary to verify that the actuarial modeling used

by the Company to determine fair value was performed correctly and that the valuation, as determined through the Company's actuarial modeling, is consistent with other methodologies. The Company considers this information in its assessment of the reasonableness of the life expectancy and discount rate inputs used in the valuation of these investments.

The Company adjusts the standard mortality for each insured for the insured's life expectancy based on reviews of the insured's medical records and the independent life expectancy reports based thereon. The Company establishes policy specific reserves for the following uncertainties: improvements in mortality, the possibility that the high net worth individuals represented in its portfolio may have access to better health care, the volatility inherent in determining the life expectancy of insureds with significant reported health impairments, and the future expenses related to the administration of the portfolio, which incorporates current life expectancy assumptions, premium payments, the credit exposure to the insurance company that issued the life settlement contracts and the rate of return that a buyer would require on the contracts as no comparable market pricing is available. The application of the investment discount rate to the expected cash flow generated by the portfolio, net of the policy specific reserves, yields the fair value of the portfolio. The effective discount rate reflects the relationship between the fair value and the expected cash flow gross of these reserves.

The following summarizes data utilized in estimating the fair value of the portfolio of life insurance policies as of June 30, 2017 and December 31, 2016 , and only includes data for policies to which the Company assigned value at those dates:

	June 30, 2017	December 31, 2016
Average age of insured (years)	83.0	82.8
Average life expectancy, months [1]	103	107
Average face amount per policy	$ 6,658	$ 6,572
Effective discount rate [2]	13.0%	12.4%

[1] Standard life expectancy as adjusted for specific circumstances.
[2] Effective discount rate ("EDR") is the Company's estimated internal rate of return on its life settlement contract portfolio and is determined from the gross expected cash flows and valuation of the portfolio. The EDR is inclusive of the reserves and the gross expected cash flows of the portfolio. The Company anticipates that the EDR's range is between 12.5% and 17.5% and reflects the uncertainty that exists surrounding the information available as of the reporting date. As the accuracy and reliability of information improves (declines), the EDR will decrease (increase).

The Company's assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The fair value measurements used in estimating the present value calculation are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on observable market data. The extent to which the fair value could reasonably vary in the near term has been quantified by evaluating the effect of changes in significant underlying assumptions used to estimate the fair value amount. If the life expectancies were increased or decreased by 4 months and the discount factors were increased or decreased by 1% while all other variables were held constant, the carrying value of the investment in life insurance policies would increase or (decrease) by the unaudited amounts summarized below as of June 30, 2017 and December 31, 2016 :

	Change in life expectancy	
	Plus 4 Months	Minus 4 Months
Investment in life policies:		
June 30, 2017	$ (47,918)	$ 47,529
December 31, 2016	$ (44,207)	$ 43,492

	Change in discount rate [1]	
	Plus 1%	Minus 1%
Investment in life policies:		
June 30, 2017	$ (32,702)	$ 36,213
December 31, 2016	$ (29,881)	$ 33,155

[1] Discount rate is a present value calculation that considers legal risk, credit risk and liquidity risk and is a component of EDR.

5. Investment in Life Settlements

The Company has a 50% ownership interest in each of two entities (collectively, the "LSC Entities") formed for the purpose of acquiring life settlement contracts, with a subsidiary of NGHC owning the remaining 50% . The LSC Entities are: Tiger Capital LLC ("Tiger"); and AMT Capital Holdings, S.A. ("AMTCH").

Capital contributions of $7,000 and $27,000 were made to the LSC Entities during the three and six months ended June 30, 2017 , respectively. Capital contributions of $11,000 were made to the LSC Entities during the three months and six ended June 30, 2016. The Company contributed 50% of these capital contributions. The Company recorded a loss of $1,261 and a gain of $12,676 on investment in life settlement contracts, net of profit commission, for the three months ended June 30, 2017 and 2016, respectively, and a gain of $7,349 and $23,406 for the six months ended June 30, 2017 and 2016.

The following tables describe the Company's investment in life settlements as of June 30, 2017 and December 31, 2016 :

Expected Maturity Term in Years	Number of Life Settlement Contracts (in whole numbers)	Fair Value [(1)]	Face Value
As of June 30, 2017			
0-1	—	$ —	$ —
1-2	1	1,935	2,500
2-3	9	46,545	90,422
3-4	10	34,553	81,000
4-5	14	38,547	85,900
Thereafter	224	275,202	1,437,413
Total	258	$ 396,782	$ 1,697,235

Expected Maturity Term in Years	Number of Life Settlement Contracts (in whole numbers)	Fair Value [(1)]	Face Value
As of December 31, 2016			
0-1	—	$ —	$ —
1-2	2	8,873	12,500
2-3	7	39,495	63,000
3-4	10	37,436	75,422
4-5	10	34,003	82,900
Thereafter	225	237,049	1,405,414
Total	254	$ 356,856	$ 1,639,236

(1) As of June 30, 2017 and December 31, 2016 , the Company determined the fair value of 10 and 18 policies, respectively, to be negative and, therefore, assigned a fair value of zero to those policies. For these contracts, the table below details the amount of premiums paid and the death benefits received during the twelve months preceding June 30, 2017 and December 31, 2016 :

	June 30, 2017	December 31, 2016
Number of policies with a negative value from discounted cash flow model as of period end (in whole numbers)	10	18
Premiums paid for the preceding twelve month period for period ended	$ 974	$ 2,640
Death benefit received	$ —	$ —

Premiums to be paid by the LSC Entities for each of the five succeeding fiscal years to keep the life insurance policies in force as of June 30, 2017 , are as follows:

	Premiums Due on Life Settlement Contracts
2017	$ 51,704
2018	53,042
2019	51,922
2020	47,867
2021	46,039
Thereafter	509,478
Total	$ 760,052

For additional information relating to the accounting for life settlement contracts, see Note 7 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

6. Loss and Loss Adjustment Expense Reserves

The following table provides a reconciliation of the beginning and ending balances for loss and loss adjustment expense reserves ("Loss and LAE") for the three months ended June 30, 2017 , and 2016 , respectively:

	2017	2016
Loss and LAE, gross of related reinsurance recoverables at beginning of period	$ 10,630,162	$ 7,516,089
Less: Reinsurance recoverables at beginning of period	4,042,932	2,731,397
Net balance, beginning of period	6,587,230	4,784,692
Incurred related to:		
Current year	951,409	758,212
Prior year	73,069	26,181
Total incurred during the period	1,024,478	784,393
Paid related to:		
Current year	(230,377)	(174,915)
Prior year	(535,417)	(468,347)
Total paid during the period	(765,794)	(643,262)
Loss portfolio transfers	—	143,667
Acquired loss and loss adjustment reserves	—	463,115
Retroactive reinsurance adjustment	(698,069)	—
Effect of foreign exchange rates	59,522	(4,060)
Net balance, end of period	6,207,367	5,528,545
Plus reinsurance recoverables at end of period	4,942,144	3,568,863
Loss and LAE, gross of related reinsurance recoverables at end of period	$ 11,149,511	$ 9,097,408

The following table provides a reconciliation of the beginning and ending balances for Loss and LAE for the six months ended June 30, 2017 , and 2016 , respectively:

	2017	2016
Loss and LAE, gross of related reinsurance recoverables at beginning of period	$ 10,140,716	$ 7,208,367
Less: Reinsurance recoverables at beginning of period	3,873,786	2,665,187
Net balance, beginning of period	6,266,930	4,543,180
Incurred related to:		
Current year	1,772,892	1,397,334
Prior year	91,920	102,132
Total incurred during the period	1,864,812	1,499,466
Paid related to:		
Current year	(366,242)	(268,779)
Prior year	(1,148,277)	(947,334)
Total paid during the period	(1,514,519)	(1,216,113)
Loss portfolio transfers	—	312,049
Acquired loss and loss adjustment reserves	200,802	463,115
Retroactive reinsurance adjustment	(698,069)	—
Effect of foreign exchange rates	87,411	(73,152)
Net balance, end of period	6,207,367	5,528,545
Plus reinsurance recoverables at end of period	4,942,144	3,568,863
Loss and LAE, gross of related reinsurance recoverables at end of period	$ 11,149,511	$ 9,097,408

In setting its reserves, the Company utilizes a combination of Company loss development factors and industry-wide loss development factors. In the event that the Company's losses develop more favorably (adversely) than the industry, as a whole, the Company's liabilities for unpaid losses and LAE may decrease (increase). The Company's management believes that its use of both its historical experience and industry-wide loss development factors provide a reasonable basis for estimating future losses. In either case, future events beyond the control of management, such as changes in law, judicial interpretations of law, and inflation may favorably or unfavorably impact the ultimate settlement of the Company's Loss and LAE reserves.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While the Company considers anticipated changes in claim costs due to inflation in estimating the ultimate claim costs, the increase in average severity of claims is caused by a number of factors that vary with the individual type of policy written. The Company projects future average severities based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. The Company monitors those anticipated trends based on actual development and makes modifications, if necessary.

The Company's Loss and LAE, gross of related reinsurance recoverables, increased $519,349 and $1,581,319 , respectively, during the three months ended June 30, 2017 and 2016 , and $1,008,795 and $1,889,041 , respectively, during the six months ended June 30, 2017 and 2016. The increase in 2017 primarily related to the acquisition of AmeriHealth Casualty Insurance Company and increased premium writings. The Company had adverse prior period reserve development of $73,069 and $91,920 , respectively, during the three and six months ended June 30, 2017 . The adverse reserve development was primarily driven by large loss activity in our workers' compensation business primarily within the Small Commercial Business segment as well as higher than expected losses within the workers' compensation and general liability programs within the Specialty Program segment. The increase in 2016 related primarily to increased premium writings, and a loss portfolio transfer. The Company's liabilities for unpaid losses and LAE attributable to prior years increased $26,181 and $102,132 , respectively, for the three and six months ended June 30, 2016 , primarily due to adverse loss experience in the Company's Specialty Program segment's general liability and auto liability portfolios, and the Company's Small Commercial Business segment's auto liability portfolio.

7. Debt

The Company’s outstanding debt consisted of the following at June 30, 2017 and December 31, 2016 :

	June 30, 2017	December 31, 2016
6.125% Notes due 2023 (the "2023 Notes")	$ 248,322	$ 248,185
Secured loan agreements	174,136	75,762
2.75% Convertible senior notes due 2044 (the "2044 Notes")	169,615	166,387
7.25% Subordinated notes due 2055 (the "7.25% 2055 Notes")	145,265	145,202
7.50% Subordinated notes due 2055 (the "7.50% 2055 Notes")	130,739	130,684
Revolving credit facility	130,000	130,000
Junior subordinated debentures (the "2035-2037 Notes")	122,072	122,028
Trust preferred securities (the "2033-2037 TPS Notes")	92,786	92,786
Promissory notes	66,402	118,643
5.5% Convertible senior notes due 2021 (the "2021 Notes")	5,292	5,223
	$ 1,284,629	$ 1,234,900

Additionally, the Company utilizes various letters of credit in its operations. The following is a summary of the Company's letters of credit as of June 30, 2017 :

	Limit	Outstanding	Available
Revolving credit facility	$ 175,000	$ 174,267	$ 733
Funds at Lloyd's facility	670,942	647,889	23,053
ING Bank N.V., BHF-BANK Aktiengesellschaft, and Deutsche Bank Netherlands N.V. facilities	87,715	68,724	18,991
Comerica bank letters of credit	75,000	53,067	21,933
UniCredit Bank	100,000	100,000	—
Other letters of credit, in aggregate	102,857	102,857	—

Interest expense, including amortization of original issue discount and deferred origination costs, as well as applicable bank fees, related to the Company's outstanding debt and letters of credit for the three and six months ended June 30, 2017 and 2016 was:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revolving credit facility	$ 1,529	$ 1,098	$ 3,039	$ 2,254
2021 Notes	117	114	234	229
2044 Notes	3,224	3,116	6,449	6,232
2023 Notes	3,896	3,896	7,793	7,793
2035-2037 Notes	1,420	1,546	2,888	3,061
2033-2037 TPS Notes	1,078	769	2,109	769
7.25% 2055 Notes	2,750	2,750	5,500	5,500
7.50% 2055 Notes	2,559	2,559	5,118	5,118
Secured loan agreements	1,493	178	2,827	367
Promissory notes	1,045	1,397	2,708	1,555
Funds at Lloyd's facility	1,236	1,123	2,715	2,322
Other, including interest income	3,882	(634)	6,450	(1,414)
Total	$ 24,229	$ 17,912	$ 47,830	$ 33,786

Secured loan agreements

On January 12, 2017, the Company, through three wholly-owned subsidiaries, entered into a ten -year secured loan agreement with Teachers Insurance and Annuity Association of America in the aggregate amount of £73,500 (or $97,079 as of June 30, 2017) to finance the purchase of a commercial office building in London, England. The loan bears interest at an annual rate of 3.45% and matures on January 15, 2027 . The loan requires quarterly interest payments for the term of the loan, with the principal and any accrued interest to be paid at maturity.

On February 24, 2017, the Company, through a wholly-owned subsidiary, entered into a ten -year secured loan agreement with Citigroup Global Markets Realty Corp. ("Citigroup") in the aggregate amount of $11,350 to finance the purchase of a commercial office building in Alpharetta, Georgia. The loan bears interest at an annual rate of 4.67% and matures on March 6, 2027 . The loan requires monthly interest only payments through March 6, 2019, principal and interest payments of approximately $64 through February 6, 2027, with any remaining principal and accrued interest to be paid at maturity.

Promissory Notes

On April 18, 2016, in connection with the acquisition of Republic Companies, Inc. and its affiliates ("Republic"), the Company issued a $104,685 term promissory note to Delek Finance U.S. Inc. (subsequently assigned to Delek Group, Ltd.) as part of the consideration. The principal was to be paid in four equal installments on each of the first four anniversaries of the issuance date. The Company made the first principal payment of approximately $26,171 on March 30, 2017 and prepaid the second principal payment of approximately $25,910 (representing 99% of the principal payment due in April 2018) on June 29, 2017 . The parties agreed that the June 29, 2017 prepayment would satisfy in full the April 2018 principal payment. The remaining principal is payable in two equal installments on each of the third and fourth anniversaries of the issuance date.

8. Earnings Per Share

The following table is a summary of the elements used in calculating basic and diluted earnings per share for the three and six months ended June 30, 2017 and 2016 :

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
		As restated		As restated
Numerator:				
Net income attributable to AmTrust common stockholders	$ 5,829	$ 127,156	$ 28,461	$ 211,134
Denominator:				
Weighted average common shares outstanding – basic	180,679	173,182	175,799	174,346
Plus: Dilutive effect of stock options, convertible debt, other	849	1,865	1,115	1,881
Weighted average common shares outstanding – dilutive	181,528	175,047	176,914	176,227
Net income per AmTrust common share - basic	$ 0.03	$ 0.73	$ 0.16	$ 1.21
Net income per AmTrust common share – diluted	$ 0.03	$ 0.73	$ 0.16	$ 1.20

The Company's anti-dilutive securities excluded from diluted earnings per share calculation were immaterial for the three and six months ended June 30, 2017 and 2016 , respectively.

9. Income Taxes

As of June 30, 2017 , the Company has U.S. Net Operating Losses ("NOLs") of $26,397 that expire beginning in 2019 through 2036 . In addition, these NOLs are subject to certain limitations under Section 382 of the Internal Revenue Code due to changes in ownership of $11,048 per year. The Company also has foreign NOLs of $837,227 , the majority of which have no expiration. The Company's management believes that as of June 30, 2017 , except for a portion of foreign NOLs, it will realize the benefits of its deferred tax assets. As a result, the Company recorded a valuation allowance of $147,774 and $142,462 as of June 30, 2017 and December 31, 2016 , respectively. The increase in the valuation allowance from December 31, 2016 to June 30, 2017 was primarily due to the increase of gross NOLs in Luxembourg, which required a full valuation allowance.

For additional information relating to Income Taxes, see Note 20 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

10. Related Party Transactions

The Company has various reinsurance and service agreements with Maiden Holdings, Ltd. ("Maiden") and ACP Re, Ltd. There have been no material changes to these agreements during the six months ended June 30, 2017. For more information related to these agreements, please see Note 17 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Significant Transactions with National General Holding Corp.

NGHC is a publicly-held specialty personal lines insurance holding company (Nasdaq: NGHC) that operates twenty-two insurance companies in the United States and provides a variety of insurance products, including personal and commercial automobile, homeowners and umbrella, and supplemental health. NGHC's two largest stockholders are the Michael Karfunkel Family 2005 Trust (the "Trust") and a grantor retained annuity trust controlled by Leah Karfunkel. Leah Karfunkel, who is co-trustee of the Trust along with Barry Zyskind, is a member of the Company's board of directors, and the mother-in-law of Barry Zyskind, the Company's Chairman, Chief Executive Officer and President. The ultimate beneficiaries of the Trust include Leah Karfunkel's children, one of whom is married to Mr. Zyskind. In addition, Barry Karfunkel, the son of Leah Karfunkel and brother-in-law of Barry Zyskind, is the chief executive officer of NGHC and Barry Zyskind is NGHC's non-executive chairman of the board. In accordance with ASC 323-10-15, *Investments-Equity Method and Joint Ventures* , the Company historically accounted for its investment in NGHC under the equity method as it had the ability to exert significant influence on NGHC's operations. During the three months ended June 30, 2017 and 2016, the Company recorded $1,106 and $4,802 of income, respectively, and $5,063 and $10,578 of income during the six months ended June 30, 2017 and 2016, respectively, related to its investment in NGHC under the equity method of accounting.

On June 9, 2017 , the Company announced that it entered into agreements to sell 10,586 common shares of NGHC at a price of $20.00 per share (representing a discount of 8.3% to NGHC's common stock closing market price on the Nasdaq Stock Exchange on June 8, 2017). The sale was completed through separate, privately negotiated purchase agreements with unaffiliated third parties and resulted in a $68,425 realized gain, which is reflected in the Equity in earnings of unconsolidated subsidiaries - related parties caption on the Consolidated Statements of Income. As a result of the transaction, the Company's ownership interest in NGHC decreased from approximately 11.5% to approximately 1.6% .

As a result of the aforementioned sale of NGHC common shares, the Company determined the fair value of its 1,709 remaining shares of NGHC common stock was not material to the Company's total assets or equity securities, available-for-sale, nor was the on-going income derived from the equity method accounting material to the Company's consolidated results of operations. Consequently, the Company ceased to account for its investment in NGHC under the equity method; rather, the Company classified the investment as a component of equity securities, available-for-sale on its consolidated balance sheets.

$300,000 Private Placement

As previously announced, the Company issued 24,096 shares of common stock at a price of $12.45 per share (the closing market price of the Company's common stock on May 25, 2017), resulting in gross proceeds to the Company of $300,000 through a private placement ("Private Placement"). The Company contributed the proceeds from the Private Placement to the Company's insurance subsidiaries to support their financial strength, continued organic growth, and writing of business. Certain members of the families of each of George Karfunkel, a director of the company, Leah Karfunkel and Barry Zyskind were the sole purchasers in the Private Placement. The purchasers received unregistered common shares in AmTrust, as well as certain rights to register the shares at a future date. Additionally, the purchasers agreed not to transfer the common stock, subject to certain limited exceptions for bona fide estate planning purposes, for a period of one-year from the date of purchase and not to exercise their right to vote their shares of common stock until after the conclusion of the Company's 2018 annual meeting of shareholders.

11. Acquisitions

AmeriHealth Casualty Insurance Company

On February 28, 2017, the Company completed its previously announced acquisition of AmeriHealth Casualty Insurance Company ("AmeriHealth Casualty"), a workers' compensation insurance company operating primarily in Pennsylvania and New Jersey. The Company acquired 100% of the outstanding stock of AmeriHealth Casualty for approximately $92,786 in cash, which is subject to a reserve guarantee of approximately $40,000 , subject to a 10% loss corridor retained by the Company and payable after five years, based on the development of AmeriHealth Casualty's loss reserves as of June 30, 2016. As of June 30, 2017, the Company had recorded $37,900 related to the reserve guarantee.

A summary of the preliminary assets acquired and liabilities assumed for AmeriHealth Casualty are as follows:

Assets		
Cash and investments	$	275,351
Premium receivable		45,288
Accrued interest and dividends		1,162
Reinsurance recoverable		14,512
Other assets		43,696
Goodwill and intangible assets		17,509
Total assets	$	397,518
Liabilities		
Loss and loss adjustment expense reserves	$	227,865
Unearned premiums		49,284
Accrued expenses and other liabilities		27,583
Total liabilities	$	304,732
Acquisition price	$	92,786

The goodwill and intangible assets, as well as AmeriHealth Casualty's results of operations, are included as a component of the Small Commercial Business segment. The goodwill is not expected to be deductible for income tax purposes. The intangible assets consist primarily of licenses and agent relationships. As a result of this acquisition, the Company recorded approximately $56,438 of gross written premium during the six months ended June 30, 2017 .

PDP Group, Inc.

On May 1, 2017 , the Company acquired 100% of the outstanding common stock of PDP Group Inc. ("PDP"), a Maryland-based provider of tailored insurance solutions for auto dealers in North America. The purchase agreement required the Company to pay approximately $49,801 in cash on the acquisition date and contained an earn-out provision that is contingent on PDP meeting certain performance conditions over a three-year period. The Company valued the contingent consideration associated with the earn-out provision at $12,621 as of the acquisition date.

A summary of the preliminary assets acquired and liabilities assumed for PDP are as follows:

Assets		
Cash and investments	$	11,826
Premium receivable		29,188
Other assets		705
Property and equipment		776
Goodwill and intangible assets		55,586
Total assets	$	98,081
Liabilities		
Accrued expenses and other liabilities	$	35,659
Total liabilities	$	35,659
Acquisition price	$	62,422

The goodwill and intangible assets, as well as PDP's results of operations, are included as a component of the Specialty Risk and Extended Warranty segment. The goodwill is not expected to be deductible for income tax purposes. As a result of this acquisition, the Company recorded approximately $7,652 in service and fee income related to PDP during the three and six months ended June 30, 2017 .

Other

In addition, the Company completed other immaterial acquisitions during the six months ended June 30, 2017 . No individual acquisition was significant and, therefore, the Company did not include any pro forma financial information related to those acquisitions in this report.

Total purchase consideration paid for those immaterial acquisitions was approximately $36,936 in cash and $8,129 in contingent consideration. As of June 30, 2017 , the purchase price allocation accounting has not yet been finalized with respect to these immaterial acquisitions.

12. Stockholder's Equity and Accumulated Other Comprehensive Income (Loss)

Stockholders' Equity

The following table summarizes the ownership components of total stockholders' equity:

	Six Months Ended June 30,					
	2017			2016		
	AmTrust	Non-Controlling Interest	Total	AmTrust	Non-Controlling Interest	Total
				(As restated)		(As restated)
Balance, December 31,	$ 3,269,103	$ 196,510	$ 3,465,613	$ 2,723,780	$ 176,455	$ 2,900,235
Net income	61,603	17,148	78,751	231,501	9,493	240,994
Unrealized holding gain	75,099	—	75,099	191,347	—	191,347
Reclassification adjustment	(30,858)	—	(30,858)	(8,045)	—	(8,045)
Foreign currency translation	76,526	—	76,526	(80,007)	—	(80,007)
Unrealized gain on interest rate swap	120	—	120	287	—	287
Share exercises, compensation and other	9,662	—	9,662	4,421	—	4,421
Common stock issuance	298,747	—	298,747	—	—	—
Common share purchase, net	—	—	—	(103,164)	—	(103,164)
Common stock dividends	(63,342)	—	(63,342)	(52,189)	(10,229)	(62,418)
Preferred stock issuance, net of fees	—	—	—	139,070	—	139,070
Preferred stock dividends	(33,142)	—	(33,142)	(20,367)	—	(20,367)
Capital contribution, net	—	19,298	19,298	—	5,500	5,500
Balance, June 30,	$ 3,663,518	$ 232,956	$ 3,896,474	$ 3,026,634	$ 181,219	$ 3,207,853

During the six months ended June 30, 2017 , net income attributable to non-controlling interest was $17,148 , and net income attributable to non-controlling interest and redeemable non-controlling interest of subsidiaries totaled $17,728 . During the six months ended June 30, 2016 , net income attributable to non-controlling interest was $9,493 , and net income attributable to non-controlling interest and redeemable non-controlling interest of subsidiaries was $9,834 .

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the activities and components of accumulated other comprehensive income (loss):

	Foreign Currency Items	Unrealized Gains (Losses) on Investments	Interest Rate Swap Hedge	Net Benefit Plan Assets and Obligations Recognized in Stockholders' Equity	Accumulated Other Comprehensive Income (Loss)
Balance, March 31, 2017	$ (174,340)	$ 79,791	$ (80)	$ (3,177)	$ (97,806)
Other comprehensive income (loss) before reclassification	62,663	66,029	28	—	128,720
Amounts reclassed from accumulated other comprehensive income (loss)	—	(19,228)	—	—	(19,228)
Income tax (expense)	—	(16,521)	—	—	(16,521)
Net current-period other comprehensive income (loss)	62,663	30,280	28	—	92,971
Balance, June 30, 2017	$ (111,677)	$ 110,071	$ (52)	$ (3,177)	$ (4,835)
Balance, March 31, 2016 (As restated)	$ (145,268)	$ 48,035	$ (581)	$ (107)	$ (97,921)
Other comprehensive income (loss) before reclassification	(32,809)	158,930	258	—	126,379
Amounts reclassed from accumulated other comprehensive income (loss)	—	(3,920)	—	—	(3,920)
Income tax (expense)	—	(54,254)	(90)	—	(54,344)
Net current-period other comprehensive income	(32,809)	100,756	168	—	68,115
Balance, June 30, 2016 (As restated)	$ (178,077)	$ 148,791	$ (413)	$ (107)	$ (29,806)

	Foreign Currency Items	Unrealized Gains (Losses) on Investments	Interest Rate Swap Hedge	Net Benefit Plan Assets and Obligations Recognized in Stockholders' Equity	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2016	$ (188,203)	$ 65,830	$ (172)	$ (3,177)	$ (125,722)
Other comprehensive income before reclassification	76,526	98,060	120	—	174,706
Amounts reclassed from accumulated other comprehensive income (loss)	—	(30,858)	—	—	(30,858)
Income tax benefit (expense)	—	(22,961)	—	—	(22,961)
Net current-period other comprehensive income	76,526	44,241	120	—	120,887
Balance, June 30, 2017	$ (111,677)	$ 110,071	$ (52)	$ (3,177)	$ (4,835)
Balance, December 31, 2015 (As restated)	$ (98,074)	$ (34,511)	$ (700)	$ (107)	$ (133,392)
Other comprehensive income (loss) before reclassification	(80,003)	286,588	441	—	207,026
Amounts reclassed from accumulated other comprehensive (loss)	—	(4,578)	—	—	(4,578)
Income tax benefit (expense)	—	(98,708)	(154)	—	(98,862)
Net current-period other comprehensive (loss) income	(80,003)	183,302	287	—	103,586
Balance, June 30, 2016 (As restated)	$ (178,077)	$ 148,791	$ (413)	$ (107)	$ (29,806)

13. Commitments and Contingencies

Litigation

The Company’s insurance subsidiaries are named as defendants in various legal actions arising principally from claims made under insurance policies and contracts. Those actions are considered by the Company in estimating the loss and LAE reserves. The Company’s management believes the resolution of those actions will not have a material adverse effect on the Company’s financial position or results of operations.

On April 7, 2015, one of the Company's stockholders, Cambridge Retirement System, filed a derivative action in the Court of Chancery of the State of Delaware against the Company, as nominal defendant, and against the Company's board of directors, Leah Karfunkel, and ACP Re, as defendants. Cambridge amended its complaint on November 3, 2015 to add NGHC as a defendant. The stockholder purports to bring the derivative action on the Company's behalf, alleging breaches of the duties of loyalty and care on the part of the Company's directors and majority shareholders related to the Company's transactions involving Tower Group International, Ltd. Cambridge's claim against NGHC and ACP Re is for unjust enrichment. The amended complaint seeks damages, disgorgement and reform of the Company's governance practices. The Company believe the allegations in this action to be unfounded and will vigorously pursue its defenses.

On April 27, 2017, one of the Company's stockholders, David Shaev Profit Sharing Plan, filed a derivative action in the Supreme Court of the State of New York for the County of New York (*Shaev v. DeCarlo et al.*).

Three derivative suits have also been filed in the United States District Court for the District of Delaware. On April 19, 2017, one of the Company's stockholders, Lily Ding, filed a derivative action in the District of Delaware against the Company, as nominal defendant, and against the Company's board of directors as defendants, but this stockholder subsequently voluntarily dismissed her suit (*Ding v. Zyskind et al* .). On May 11, 2017, one of the Company's stockholders, West Palm Beach Police Pension Fund, filed suit (*West Palm Beach Police Pension Fund v. Zyskind et al* .), and on June 28, 2017, two of the Company's stockholders, City of Lauderhill Police Officers Retirement Plan and Pompano Beach Police & Firefighters Retirement System, filed suit (*City of Lauderhill Police Officers Retirement Plan and Pompano Beach Police & Firefighters Retirement System et al. v. Zyskind et al* .). These two Delaware derivative actions (*West Palm Beach Police Pension Fund* and *Lauderhill-Pompano Beach*) have been consolidated under the case name *In re AmTrust Financial Services, Inc. Derivative Litigation* . The stockholders purport to bring the derivative actions on the Company's behalf, and raise claims that primarily involve the Company's recent restatement of its financial statements and the identification of material weaknesses in its internal control over financial reporting. The *In re AmTrust Derivative Litigation* complaint alleges violations of Sections 10(b), 14(a), 20A, and 29(b) of the Exchange Act, breaches of fiduciary duties, unjust enrichment, and waste of corporate assets. The *In re AmTrust Derivative Litigation* complaint also seeks reform of the Company's governance practices, contribution and indemnification, and both sets of stockholders seek damages. The Company believes the allegations in these pending derivative actions to be unfounded and will vigorously pursue its defenses.

The Company and certain of its officers and directors are also defendants in three putative securities class action lawsuits filed in March and April of 2017 in the United States District Court for the Southern District of New York. Another putative class action, filed in February 2017 in the United States District Court for the Central District of California, was voluntarily dismissed (*Miller v. AmTrust, Zyskind, and Pipoly*). The three cases in the Southern District of New York have been consolidated under the case name *In re AmTrust Financial Services, Inc. Securities Litigation* , and a consolidated amended complaint will be filed on or by August 18, 2017 . Plaintiffs in two of the three consolidated lawsuits purport to represent a class of the Company's stockholders who purchased shares between March 2015 and March 2017 (*Rubel v. AmTrust, Zyskind, and Pipoly* ; *Sachetti v. AmTrust, Zyskind, and Pipoly*). The complaints assert claims under Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. Plaintiffs in the third consolidated lawsuit purport to represent a class of purchasers of the Company's common stock purchased in a November 12, 2015 offering (*Albano v. AmTrust Financial Services, Inc. et al.*). This complaint asserts claims under Sections 11 and 15 of the Securities Act of 1933, as amended. The plaintiffs in all three consolidated actions seek an unspecified amount in damages, attorneys’ fees, and other relief. The Company believes the allegations to be unfounded and will vigorously pursue its defenses; however, the Company cannot reasonably estimate the potential range of loss, if any, due to the early stage of the proceedings.

Additionally, in April, May, and June, 2017, the Company received four demands for the inspection of books and records pursuant to Section 220 of the Delaware General Corporation Law, from stockholders Rikhard Dauber, Pompano Beach Police & Firefighters Retirement System, Nestor Shust, and the City of Lauderhill Police Officers’ Retirement Plan.

Other than as discussed above, the Company is not involved presently in any material litigation nor, to the Company’s knowledge, is any material litigation threatened against the Company or its properties.

14. Segments

The Company operates three business segments: Small Commercial Business; Specialty Risk and Extended Warranty; and Specialty Program. The Corporate and Other segment also represents the activities of the holding company as well as a portion of service and fee revenue. Investment income and realized gains (losses) are determined by calculating an overall annual return on cash and invested assets and applying that overall return to the cash and invested assets by segment. Ceding commission is allocated to each segment based on that segment's proportionate share of the Company's overall acquisition costs. Interest expense is allocated based on gross written premium by segment. Income taxes are allocated on a pro-rata basis based on the Company's effective tax rate. Additionally, management reviews the performance of underwriting income in assessing the performance of and making decisions regarding the allocation of resources to the segments. Underwriting income excludes, primarily, service and fee revenue, investment income and other revenues, other expenses, interest expense and income taxes. Management believes that providing this information in this manner is essential to providing the Company's stockholders with an understanding of the Company's business and operating performance.

During the three and six months ended June 30, 2017, the Company did not have any segment derive over ten percent of its total revenue from one agent. During six months ended June 30, 2016 , the Company's Specialty Program segment derived over ten percent of its gross written premium primarily from one agent.

The following tables summarize the results of operations of the business segments for the three and six months ended June 30, 2017 and 2016 :

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Corporate and Other	Total
Three Months Ended June 30, 2017:					
Gross written premium	$ 1,123,292	$ 795,932	$ 280,523	$ —	$ 2,199,747
Revenues:					
Net written premium	$ 638,762	$ 555,486	$ 177,654	$ —	$ 1,371,902
Change in unearned premium	(6,898)	(16,483)	32,188	—	8,807
Net earned premium	631,864	539,003	209,842	—	1,380,709
Expenses:					
Loss and loss adjustment expense	(466,901)	(370,840)	(186,737)	—	(1,024,478)
Acquisition costs and other underwriting expenses	(170,179)	(140,310)	(62,706)	—	(373,195)
Total expenses	(637,080)	(511,150)	(249,443)	—	(1,397,673)
Underwriting (loss) income	(5,216)	27,853	(39,601)	—	(16,964)
Other income (loss)					
Service and fee income	30,990	98,178	443	38,835	168,446
Investment income and realized gain	32,519	27,719	12,443	—	72,681
Other expenses	(51,496)	(35,748)	(12,686)	(99,930)	(199,860)
Interest expense	(12,403)	(8,740)	(3,086)	—	(24,229)
Foreign currency loss	—	(58,948)	—	—	(58,948)
Loss on life settlement contracts	(859)	(268)	(134)	—	(1,261)
Benefit (provision) for income taxes	7,477	28,595	(281)	(16,064)	19,727
Equity in earnings of unconsolidated subsidiary – related party	—	—	—	69,531	69,531
Net income (loss)	$ 1,012	$ 78,641	$ (42,902)	$ (7,628)	$ 29,123

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Corporate and Other	Total
Three Months Ended June 30, 2016					
Gross written premium	$ 1,060,558	$ 651,561	$ 360,993	$ —	$ 2,073,112
Revenues:					
Net written premium	$ 601,638	$ 447,061	$ 219,737	$ —	$ 1,268,436
Change in unearned premium	(28,660)	(89,177)	31,153	—	(86,684)
Net earned premium	572,978	357,884	250,890	—	1,181,752
Expenses:					
Loss and loss adjustment expense	(382,950)	(231,328)	(170,115)	—	(784,393)
Acquisition costs and other underwriting expenses	(150,149)	(78,773)	(65,555)	—	(294,477)
Total expenses	(533,099)	(310,101)	(235,670)	—	(1,078,870)
Underwriting income (As restated)	39,879	47,783	15,220	—	102,882
Other income (loss)					
Service and fee income (As restated)	25,745	69,155	1,228	28,178	124,306
Investment income and realized gain (loss)	28,193	19,506	18,211	(66)	65,844
Other expenses (As restated)	(34,321)	(21,154)	(11,697)	(67,172)	(134,344)
Interest expense (As restated)	(9,180)	(5,612)	(3,120)	—	(17,912)
Foreign currency loss (As restated)	—	(28,995)	—	—	(28,995)
Gain on life settlement contracts	6,507	3,961	2,208	—	12,676
(Loss) gain on acquisition	(9,223)	48,320	—	—	39,097
(Provision) benefit for income taxes (As restated)	(6,256)	(19,030)	(3,184)	4,663	(23,807)
Equity in earnings of unconsolidated subsidiary – related party	—	—	—	4,802	4,802
Net income (loss) (As restated)	$ 41,344	$ 113,934	$ 18,866	$ (29,595)	$ 144,549

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Corporate and Other	Total
Six Months Ended June 30, 2017					
Gross written premium	$ 2,380,577	$ 1,528,374	$ 557,076	$ —	$ 4,466,027
Revenues:					
Net written premium	$ 1,297,741	$ 1,065,694	$ 352,533	$ —	$ 2,715,968
Change in unearned premium	(112,252)	(53,201)	52,726	—	(112,727)
Net earned premium	1,185,489	1,012,493	405,259	—	2,603,241
Expenses:					
Loss and loss adjustment expense	(844,338)	(683,444)	(337,030)	—	(1,864,812)
Acquisition costs and other underwriting expenses	(324,820)	(258,773)	(117,817)	—	(701,410)
Total expenses	(1,169,158)	(942,217)	(454,847)	—	(2,566,222)
Underwriting (loss) income	16,331	70,276	(49,588)	—	37,019
Other income (loss)					
Service and fee income	59,644	185,119	1,980	59,199	305,942
Investment income and realized gain	62,209	53,847	28,565	—	144,621
Other expenses	(96,670)	(62,064)	(22,622)	(181,357)	(362,713)
Interest expense	(25,496)	(16,368)	(5,966)	—	(47,830)
Foreign currency loss	—	(76,916)	—	—	(76,916)
Gain on life settlement contracts	3,917	2,515	917	—	7,349
(Provision) benefit for income taxes	(401)	(3,147)	940	979	(1,629)
Equity in earnings of unconsolidated subsidiary – related party	—	—	—	73,488	73,488
Net income (loss)	$ 19,534	$ 153,262	$ (45,774)	$ (47,691)	$ 79,331

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Corporate and Other	Total
Six Months Ended June 30, 2016					
Gross written premium	$ 2,126,690	$ 1,181,007	$ 698,489	$ —	$ 4,006,186
Revenues:					
Net written premium	$ 1,226,166	$ 784,894	$ 478,055	$ —	$ 2,489,115
Change in unearned premium	(149,094)	(105,169)	21,182	—	(233,081)
Net earned premium	1,077,072	679,725	499,237	—	2,256,034
Expenses:					
Loss and loss adjustment expense	(715,634)	(442,264)	(341,568)	—	(1,499,466)
Acquisition costs and other underwriting expenses	(283,681)	(151,624)	(131,640)	—	(566,945)
Total expenses	(999,315)	(593,888)	(473,208)	—	(2,066,411)
Underwriting income (As restated)	77,757	85,837	26,029	—	189,623
Other income (loss)					
Service and fee income (As restated)	58,282	143,539	1,517	49,773	253,111
Investment income and realized gain	55,047	38,676	29,511	—	123,234
Other expenses (As restated)	(69,968)	(38,856)	(22,981)	(131,806)	(263,611)
Interest expense (As restated)	(17,935)	(9,960)	(5,891)	—	(33,786)
Foreign currency loss (As restated)	—	(67,228)	—	—	(67,228)
Gain on life settlement contracts	12,425	6,900	4,081	—	23,406
Gain on acquisition	455	48,320	—	—	48,775
(Provision) benefit for income taxes (As restated)	(17,471)	(31,195)	(4,857)	10,756	(42,767)
Equity in earnings of unconsolidated subsidiary – related party	—	—	—	10,578	10,578
Net income (loss) (As restated)	$ 98,592	$ 176,033	$ 27,409	$ (60,699)	$ 241,335

The following tables summarize net earned premium by major line of business, by segment, for the three and six months ended June 30, 2017 and 2016 :

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Total
Three Months Ended June 30, 2017:				
Workers' compensation	$ 373,088	$ —	$ 114,643	$ 487,731
Warranty	—	255,794	16	255,810
Other liability	—	46,198	52,131	98,329
Commercial auto and liability, physical damage	95,556	—	28,520	124,076
Medical malpractice	—	53,874	—	53,874
Other	163,220	183,137	14,532	360,889
Total net earned premium	$ 631,864	$ 539,003	$ 209,842	$ 1,380,709

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Total
Three Months Ended June 30, 2016:				
Workers' compensation	$ 358,894	$ —	$ 199,704	$ 558,598
Warranty	—	179,169	—	179,169
Other liability	—	33,305	12,800	46,105
Commercial auto and liability, physical damage	111,992	8,684	30,602	151,278
Medical malpractice	—	62,733	—	62,733
Other	102,092	73,993	7,784	183,869
Total net earned premium	$ 572,978	$ 357,884	$ 250,890	$ 1,181,752

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Total
Six Months Ended June 30, 2017:				
Workers' compensation	$ 709,413	$ —	$ 223,638	$ 933,051
Warranty	—	470,321	19	470,340
Other liability	—	89,507	106,670	196,177
Commercial auto and liability, physical damage	196,702	—	54,475	251,177
Medical malpractice	—	106,653	—	106,653
Other	279,374	346,012	20,457	645,843
Total net earned premium	$ 1,185,489	$ 1,012,493	$ 405,259	$ 2,603,241

	Small Commercial Business	Specialty Risk and Extended Warranty	Specialty Program	Total
Six Months Ended June 30, 2016:				
Workers' compensation	$ 704,937	$ —	$ 307,417	$ 1,012,354
Warranty	—	347,502	—	347,502
Other liability	5,249	74,018	83,381	162,648
Commercial auto and liability, physical damage	197,896	17,176	65,745	280,817
Medical malpractice	—	106,750	—	106,750
Other	168,990	134,279	42,694	345,963
Total net earned premium	$ 1,077,072	$ 679,725	$ 499,237	$ 2,256,034

15. Reinsurance Agreement

Effective June 30, 2017 , the Company entered into an adverse loss development cover agreement (the "agreement"), with Premia Reinsurance Ltd. ("Premia"). Under the agreement, Premia will pay the Company for ultimate net losses paid by the Company in excess of a retention of $5,963,000 , subject to an aggregate limit of $1,025,000 , which provides $400,000 of coverage in excess of the Company's carried loss reserves as of March 31, 2017 in the amount of approximately $6,590,000 .

The consideration for this agreement is a $675,000 payment, plus an annual claims monitoring fee, of which $50,000 represents a payment for the coverage above the carried loss reserves of approximately $6,590,000 .

The agreement has been accounted for as retroactive reinsurance, and resulted in a pre-tax loss of approximately $59,000 , including the $50,000 payment mentioned above and approximately $8,949 representing the net present value of the Company's obligation to pay $1,000 annually in claims administration monitoring fees to Premia for up to 30 years. For the three month period ended June 30, 2017 , the Company recorded $73,069 of net adverse loss development, which exceeded the original pre-tax loss and resulted in a $14,120 deferred gain. The deferred gain will be recognized in earnings over the estimated claim settlement period.

The consideration paid to Premia will be placed into a collateral trust account as security for Premia's claim payment obligations to the Company. Ceded reserves will be collateralized by the premium payment and all investment income will inure to the benefit of the collateral trust account. Premia will deposit an incremental $100,000 of excess collateral at inception and will also deposit incremental collateral in accordance with a pre-agreed schedule. The Company will pay interest deposited into the collateral trust account at a rate of 3.75% per annum on any unpaid portion of the $675,000 consideration amount from July 1, 2017 to the date of payment, which must occur within 180 days following June 30, 2017 .

The Company will retain sole authority to handle and resolve claims, and Premia has various access, association and consultation rights.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q. Amounts in the following discussion may not reconcile due to rounding differences.

Note on Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements that are intended to be covered by the safe harbors created by The Private Securities Litigation Reform Act of 1995. When we use words such as "anticipate," "intend," "plan," "believe," "estimate," "expect," or similar expressions, we do so to identify forward-looking statements. Examples of forward-looking statements include the plans and objectives of management for future operations, including those relating to future growth of our business activities and availability of funds, projections of the impact of potential errors or misstatements in our financial statements, estimates of the impact of material weaknesses in our internal control over financial reporting, and are based on current expectations that involve assumptions that are difficult or impossible to predict accurately and many of which are beyond our control. Actual results may differ materially from those expressed or implied in these statements as a result of significant risks and uncertainties, including, but not limited to, non-receipt of expected payments from insureds or reinsurers, changes in interest rates, a downgrade in the financial strength ratings of our insurance subsidiaries, the effect of the performance of financial markets on our investment portfolio, the amounts, timing and prices of any share repurchases made by us under our share repurchase program, development of claims and the effect on loss reserves, accuracy in projecting loss reserves, the cost and availability of reinsurance coverage, the effects of emerging claim and coverage issues, changes in the demand for our products, our degree of success in integrating acquired businesses, the effect of general economic conditions, state and federal legislation, regulations and regulatory investigations into industry practices, the impact of known or potential errors or misstatements in our financial statements, our ability to timely and effectively remediate the material weaknesses in our internal control over financial reporting and implement effective internal control over financial reporting and disclosure controls and procedures in the future, risks associated with conducting business outside the United States, the impact of Brexit, developments relating to existing agreements, disruptions to our business relationships with Maiden Holdings, Ltd. or National General Holdings Corp., breaches in data security or other disruptions with our technology, heightened competition, changes in pricing environments, and changes in asset valuations. Additional information about these risks and uncertainties, as well as others that may cause actual results to differ materially from those projected, is contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2016 , and our quarterly reports on Form 10-Q. The projections and statements in this report speak only as of the

date of this report and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Overview

We are a multinational specialty property and casualty insurer focused on generating consistent underwriting profits. We provide insurance coverage for small businesses and products with high volumes of insureds and loss profiles that we believe are predictable. We target lines of insurance that we believe generally are under served by the market. We have grown by hiring teams of underwriters with expertise in our specialty lines, through acquisitions of companies and assets that, in each case, provide access to distribution networks and renewal rights to established books of specialty insurance business. We have operations in three business segments:

- Small Commercial Business . We provide workers' compensation, commercial package and other commercial insurance lines produced by wholesale agents, retail agents and brokers in the United States.
- Specialty Risk and Extended Warranty . We provide coverage for consumer and commercial goods and custom designed coverages, such as accidental damage plans and payment protection plans offered in connection with the sale of consumer and commercial goods, in the United States and Europe, and certain niche property, casualty and specialty liability risks in the United States and Europe, including general liability, employers' liability and professional and medical liability.
- Specialty Program . We write commercial insurance for narrowly defined classes of insureds, requiring an in-depth knowledge of the insured's industry segment, through general and other wholesale agents.

We transact business primarily through our insurance subsidiaries, the majority of which are domiciled in the United States. We also transact business through insurance subsidiaries domiciled internationally, primarily in Bermuda and Europe. We are authorized to write business in all 50 states, the District of Columbia, and Puerto Rico. We have insurance operations in the United Kingdom, Ireland and Luxembourg and are authorized to write business throughout the European Union. Through our subsidiary, AmTrust at Lloyd's, we are licensed to underwrite business internationally in locations where Lloyd's is licensed. Our principal operating subsidiaries are rated "A"(Excellent) by A.M. Best Company ("A.M. Best").

For the three and six months ended June 30, 2017 , our results of operations include activity of entities we acquired either during the second quarter 2016 or subsequent to June 30, 2016 , primarily:

- PDP Group, Incorporated, PDP Holdings, Inc., and Pitcher & Doyle, ULC (collectively, "PDP") - Specialty Risk and Extended Warranty segment
- AmeriHealth Casualty Insurance Company ("AmeriHealth") - Small Commercial Business segment
- ANV Holding B.V. and its affiliates (collectively, "ANV") - Specialty Risk and Extended Warranty segment
- N.V. Nationale Borg-Maatschappij and its affiliates (collectively, "Nationale Borg") - Specialty Risk and Extended Warranty segment
- Republic Underwriters Insurance Company, Republic-Vanguard Insurance Company, Southern Underwriters Insurance Company, Republic Fire & Casualty Insurance Company, Southern Insurance Company, Republic Diversified Services, Inc., Republic Lloyds, Republic Group No. Two Company, Southern County Mutual Insurance Company, Canyon State Auto Insurance Services, Inc., and Eagle General Agency, Inc. (collectively, "Republic") - Small Commercial Business and Specialty Program segments

Insurance, particularly workers' compensation, is generally affected by seasonality. The first quarter generally produces greater premiums than subsequent quarters. Nevertheless, the impact of seasonality on our Small Commercial Business and Specialty Program segments has not been significant. We believe that this is because we serve many small businesses in different geographic locations. We believe seasonality may be muted by our acquisition activity. Additionally, our Specialty Risk and Extended Warranty segment may be impacted by the seasonality of the automotive and consumer electronic markets.

We evaluate our operations by monitoring key measures of growth and profitability, including return on equity and combined ratio. Our return on equity was 0.9% and 21.6% for the three months ended June 30, 2017 and 2016 , respectively, and 2.2% and 18.2% for the six months ended June 30, 2017 and 2016 , respectively. Our overall financial objective is to produce a return on equity of 12.0%-15.0% over the long-term. In addition, we target a combined ratio of 95.0% or lower over the long term, while seeking to maintain optimal operating leverage in our insurance subsidiaries commensurate with our A.M. Best rating objectives. Our combined ratio was 101.2% and 98.6% for the three and six months ended June 30, 2017 , respectively, and 91.3% and 91.6% for the three and six months ended June 30, 2016 , respectively. Although, we did not achieve all the key growth and profitability measures for the three and six months ended June 30, 2017 , we do not consider this to be a trend. As described below in "Consolidated Results of Operations for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)," we experienced catastrophe losses in our Small Commercial Business segment, prior period adverse reserve development in all of our segments, higher professional service fees and a higher effective tax rate this quarter as compared to the same quarter a year ago.

A key factor in achieving our targeted combined ratio is a continuous focus on our expense ratio. Our strategy across our segments is to maintain premium rates, deploy capital judiciously, manage our expenses and focus on the businesses in which we have expertise, which we believe should provide opportunities for greater returns. Investment income is also an important part of our business. Because the period of time between our receipt of premiums and the ultimate settlement of claims is often several years or longer, we are able to invest cash received from premiums for significant periods of time. Our net investment income was $49.2 million and $50.7 million for the three months ended June 30, 2017 and 2016 , respectively, and $112.6 million and $100.2 million for the six months ended June 30, 2017 and 2016 , respectively.

Adverse Loss Development Cover Agreement

Effective June 30, 2017 , we entered into an adverse loss development cover agreement (the "agreement"), with Premia Reinsurance Ltd. ("Premia"). Under the agreement, Premia will pay us for ultimate net losses paid by us in excess of a retention of $5,963 million , subject to an aggregate limit of $1,025 million , which provides $400 million of coverage in excess of our carried loss reserves as of March 31, 2017 in the amount of approximately $6,590 million .

The consideration for this agreement is a $675 million payment, plus an annual claims monitoring fee, of which $50 million represents a payment for the coverage above the carried loss reserves of approximately $6,590 million .

The agreement has been accounted for as retroactive reinsurance, and resulted in a pre-tax loss of approximately $59 million , including the $50 million payment mentioned above and approximately $9 million representing the net present value of our obligation to pay $1 million annually in claims administration monitoring fees to Premia for up to 30 years. For the three month period ended June 30, 2017 , we recorded $73 million of net adverse loss development, which exceeded the original pre-tax loss and resulted in a $14 million deferred gain. The deferred gain will be recognized in earnings over the estimated claim settlement period.

Restatement of Previously Issued Financial Statements

On March 14, 2017, the Audit Committee of our Board of Directors, in consultation with management and our current and former independent registered public accounting firms, concluded that our previously issued consolidated financial statements for the fiscal years 2014 and 2015, (including each of the four quarters within fiscal year 2015) as well as for the first three quarters of fiscal year 2016 needed to be restated to correct errors related to revenue recognition and bonus accruals, as well as other adjustments. The effects of the Restatement are reflected in this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The error related to the recognition of revenue for the portion of warranty contract revenue associated with administration services is reflected entirely within the results of operations for our Specialty Risk and Extended Warranty segment, while the remaining errors are reflected within the results of operations of all of our segments.

We included restated consolidated financial statements for fiscal years 2014 and 2015 in Note 3. "Restatement of Previously Issued Consolidated Financial Statements" of our Annual Report on Form 10-K for the year ended December 31, 2016. We included restated quarterly financial statements for the period ended March 31, 2016 in our Form 10-Q for the period ended March 31, 2017. We filed amended Quarterly Reports on Form 10-Q/A for the periods ended June 30, 2016 and September 30, 2016.

The following summary further describes our principal revenue and expense measures and key ratios that we use to evaluate our results of operations:

Gross Written Premium. Gross written premium represents estimated premiums from each insurance policy that we write, including as a servicing carrier for assigned risk plans, during a reporting period based on the effective date of the individual policy. Certain policies that we underwrite are subject to premium audit at that policy's cancellation or expiration. The final actual gross premiums written may vary from the original estimate based on changes to the final rating parameters or classifications of the policy.

Net Written Premium. Net written premium is gross written premium less that portion of premium that we cede to third party reinsurers under reinsurance agreements. The amount ceded under these reinsurance agreements is based on the contractual formula contained in the individual reinsurance agreements.

Net Earned Premium. Net earned premium is the earned portion of our net written premiums. We earn insurance premiums on a pro-rata basis over the term of the policy. At the end of each reporting period, premiums written that are not earned are classified as unearned premiums, which are earned in subsequent periods over the remaining term of the policy. Our workers'

compensation insurance and commercial package policies typically have a term of one year. Thus, for a one-year policy written on July 1, 2016 for an employer with a constant payroll during the term of the policy, we would earn half of the premiums in 2016 and the other half in 2017. We earn our specialty risk and extended warranty coverages over the estimated exposure time period. The terms vary depending on the risk. The coverages range in duration from one month to 120 months.

Service and Fee Income. We currently generate service and fee income from the following sources:

- Product warranty registration and service — Our Specialty Risk and Extended Warranty business generates fee revenue for product warranty registration and claims handling services provided to unaffiliated third party retailers, manufacturers and dealerships. Additionally, we provide credit monitoring services for a fee.
- Servicing carrier — We act as a servicing carrier for workers' compensation assigned risk plans in multiple states. In addition, we also offer claims adjusting and loss control services for fees to unaffiliated third parties.
- Management services — We provide services to insurance consumers, traditional insurers and insurance producers by offering flexible and cost effective alternatives to traditional insurance tools in the form of various risk retention groups and captive management companies, as well as management of workers' compensation and commercial property programs. We also offer programs and alternative funding options for non-profit and public sector organizations for the management of their state unemployment insurance obligations.
- Insurance fees — We recognize fee income associated with the issuance of workers' compensation policies for installment fees, in jurisdictions where it is permitted and approved, and reinstatement fees, which are fees charged to reinstate a policy after it has been canceled for non-payment, in jurisdictions where it is permitted and approved. Additionally, we recognize broker commissions and policy management fees associated with general liability policies placed by one of our managing general agencies.
- Broker services — We provide brokerage services to Maiden Holdings Ltd. ("Maiden") in connection with our reinsurance agreement for which we receive a fee.
- Asset management services — We currently manage the investment portfolios of certain subsidiaries of Maiden, National General Holdings Corp. ("NGHC") and ACP Re, Ltd. ("ACP Re") for which we receive a management fee.
- Information technology services — We provide information technology and printing and mailing services to NGHC and its affiliates for a fee.

Net Investment Income and Realized Gains and (Losses). We invest our statutory surplus funds and the funds supporting our insurance liabilities primarily in cash and cash equivalents, fixed maturity and equity securities. Our net investment income includes interest and dividends earned on our invested assets. We report net realized gains and losses on our investments separately from our net investment income. Net realized gains occur when we sell our investment securities for more than their costs or amortized costs, as applicable. Net realized losses occur when we sell our investment securities for less than their costs or amortized costs, as applicable, or we write down the investment securities as a result of other-than-temporary impairment. We classify equity securities and our fixed maturity securities primarily as available-for-sale. We report net unrealized gains (losses) on those securities classified as available-for-sale separately within accumulated other comprehensive income on our consolidated balance sheets. Additionally, we have a small portfolio of fixed maturity and equity securities classified as trading securities. We report unrealized gains (losses) on those securities classified as fixed maturity and trading securities within realized gains (losses).

Loss and Loss Adjustment Expenses Incurred. Loss and loss adjustment expenses ("LAE") incurred represent our largest expense item and, for any given reporting period, include estimates of future claim payments, changes in those estimates from prior reporting periods and costs associated with investigating, defending and servicing claims. These expenses fluctuate based on the amount and types of risks we insure. We record loss and loss adjustment expenses related to estimates of future claim payments based on case-by-case valuations and statistical analysis. We seek to establish all reserves at the most likely ultimate exposure based on our historical claims experience. It is typical for our more serious bodily injury claims to take several years to settle and we revise our estimates as we receive additional information about the condition of injured employees and claimants and the costs of their medical treatment. Our ability to estimate loss and loss adjustment expenses accurately at the time of pricing our insurance policies is a critical factor in our profitability.

Acquisition Costs and Other Underwriting Expenses. Acquisition costs and other underwriting expenses consist of policy acquisition expenses, salaries and benefits and general and administrative expenses, net of ceding commissions. These items are described below:

- Policy acquisition expenses comprise commissions directly attributable to those agents, wholesalers or brokers that produce premiums written on our behalf. In most instances, we pay commissions based on collected premium, which reduces our credit risk exposure associated with producers in case a policyholder does not pay a premium. We pay state and local taxes, licenses and fees, assessments and contributions to various state guaranty funds based on our premiums or losses in each state. Surcharges that we may be required to charge and collect from insureds in certain

jurisdictions are recorded as accrued liabilities, rather than expense. These expenses are offset by ceding commissions received.

- Salaries and benefit expenses are comprised of salary and benefit costs associated with employees that are directly involved in the origination, issuance and maintenance of policies, claims adjustment and accounting for insurance transactions that are associated with the successful acquisition of insurance contracts. We classify salaries and benefits associated with employees that are involved in fee generating activities as other expenses.
- General and administrative expenses are comprised of other costs associated with our insurance activities, such as federal excise tax, postage, telephones and internet access charges, as well as legal and auditing fees and board and bureau charges.
- Ceding commission on reinsurance transactions is derived from ceding gross written premium to third party reinsurers, and is netted against acquisition costs and other underwriting expenses. In connection with the Maiden Quota Share, which is our primary source of ceding commissions, the amount we receive is a blended rate based on a contractual formula contained in the individual reinsurance agreements, and the rate may not correlate specifically to the cost structure of the individual segments. The ceding commissions we receive cover a portion of our deferred direct acquisition costs and a portion of other underwriting expenses. Ceding commissions received from reinsurance transactions that represent recovery of deferred direct acquisition costs are recorded as a reduction of unamortized deferred direct acquisition costs and the net amount is charged to expense in proportion to net earned premium recognized. Ceding commissions received from reinsurance transactions that represent the recovery of other underwriting expenses are recognized in the consolidated statements of income over the insurance contract period in proportion to the insurance protection provided and classified as a reduction of acquisition costs and other underwriting expenses. Ceding commissions received, but not yet earned, that represent the recovery of other underwriting expenses are classified as a component of accrued expenses and other current liabilities in the consolidated balance sheets. We allocate earned ceding commissions to our segments based on each segment's proportionate share of total acquisition costs and other underwriting expenses recognized during the period.

Gain (loss) on Investment in Life Settlement Contracts . The gain (loss) on investment in life settlement contracts includes the gain (loss) on acquisition of life settlement contracts, the gain (loss) realized upon a mortality event and the change in fair value of the investments in life settlements as evaluated at the end of each reporting period. We determine fair value based upon our estimate of the discounted cash flow related to policies (net of reserves for improvements in mortality, the possibility that the high net worth individuals represented in our portfolio may have access to better health care, the volatility inherent in determining the life expectancy of insureds with significant reported health impairments and the future expenses related to the administration of the portfolio), which incorporates current life expectancy assumptions, premium payments, credit exposure to the insurance companies that issued the life insurance policies and the rate of return that a buyer would require on the policies as no comparable market pricing is available. The gain (loss) realized upon a mortality event is the difference between the death benefit received and the recorded fair value of that particular policy. We allocate gain (loss) on investment in life settlement contracts to our segments based on gross written premium by segment.

Loss Ratio. The loss ratio is a measure of the underwriting profitability of an insurance company's business. Expressed as a percentage, this is the ratio of net losses and LAE incurred to net premiums earned.

Expense Ratio. The expense ratio is a measure of an insurance company's operational efficiency in administering its business. Expressed as a percentage, this is the ratio of the sum of acquisition costs and other underwriting expenses to net premiums earned. As we allocate certain acquisition costs and other underwriting expenses based on premium volume to our segments, the net expense ratio on a segment basis may be impacted period over period by a shift in the mix of net written premium.

Combined Ratio. The combined ratio is a measure of an insurance company's overall underwriting profit. This is the sum of the net loss and net expense ratios. If the combined ratio is at or above 100 percent, an insurance company cannot be profitable without net investment income, and may not be profitable if net investment income is insufficient.

Net Premiums Earned less Expenses Included in Combined Ratio (Underwriting Income). Underwriting income is a measure of an insurance company's overall operating profitability before items such as net investment income, interest expense and income taxes.

Net Premiums Earned less Expenses Included in Combined Ratio (Underwriting Income). Underwriting income is a measure of an insurance company's overall operating profitability before items such as investment income, interest expense and income taxes.

Return on Equity. We calculate return on equity by dividing net income by the average of shareholders' equity.

Critical Accounting Policies

Our discussion and analysis of our results of operations, financial condition and liquidity are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities as of the date of the financial statements. As more information becomes known, these estimates and assumptions could change, which would have an impact on actual results that may differ materially from these estimates and judgments under different assumptions. We have not made any changes in estimates or judgments that have had a significant effect on the reported amounts as previously disclosed in our Annual Report on Form 10-K for the fiscal period ended December 31, 2016 .

Results of Operations

Consolidated Results of Operations for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Amounts in Thousands)		**(As restated)**		**(As restated)**
Gross written premium	$ 2,199,747	$ 2,073,112	$ 4,466,027	$ 4,006,186
Net written premium	$ 1,371,902	$ 1,268,436	$ 2,715,968	$ 2,489,115
Change in unearned premium	8,807	(86,684)	(112,727)	(233,081)
Net earned premium	1,380,709	1,181,752	2,603,241	2,256,034
Service and fee income (related parties - three months $35,596; $21,608 and six months $55,931 and $41,771)	168,446	124,306	305,942	253,111
Net investment income	49,226	50,745	112,551	100,160
Net realized gain on investments	23,455	15,099	32,070	23,074
Total revenues	1,621,836	1,371,902	3,053,804	2,632,379
Loss and loss adjustment expense	1,024,478	784,393	1,864,812	1,499,466
Acquisition costs and other underwriting expenses (net of ceding commission - related party - three months $158,231; $145,610, and six months $311,933; $284,001)	373,195	294,477	701,410	566,945
Other	199,860	134,344	362,713	263,611
Total expenses	1,597,533	1,213,214	2,928,935	2,330,022
Income before other income (loss), (benefit) provision for income taxes, equity in earnings of unconsolidated subsidiaries and non-controlling interest	24,303	158,688	124,869	302,357
Other income (loss):				
Interest expense (net of interest income - related party - three months $1,160; $2,187 and six months $2,318 and $4,375)	(24,229)	(17,912)	(47,830)	(33,786)
(Loss) gain on investment in life settlement contracts net of profit commission	(1,261)	12,676	7,349	23,406
Foreign currency loss	(58,948)	(28,995)	(76,916)	(67,228)
Gain on acquisition	—	39,097	—	48,775
Total other (loss) income	(84,438)	4,866	(117,397)	(28,833)
(Loss) income (benefit) before provision for income taxes, equity in earnings of unconsolidated subsidiaries and non-controlling interest	(60,135)	163,554	7,472	273,524
(Benefit) provision for income taxes	(19,727)	23,807	1,629	42,767
(Loss) income before equity in earnings of unconsolidated subsidiaries	(40,408)	139,747	5,843	230,757
Equity in earnings of unconsolidated subsidiaries – related parties	69,531	4,802	73,488	10,578
Net income	$ 29,123	$ 144,549	$ 79,331	$ 241,335
Net income attributable to non-controlling interest and redeemable non-controlling interest of subsidiaries	(6,723)	(5,817)	(17,728)	(9,834)
Net income attributable to AmTrust Financial Services, Inc.	$ 22,400	$ 138,732	$ 61,603	$ 231,501
Dividends on preferred stock	(16,571)	(11,576)	(33,142)	(20,367)
Net income attributable to AmTrust common shareholders	$ 5,829	$ 127,156	$ 28,461	$ 211,134
Key measures:				
Loss ratio	74.2%	66.4%	71.6%	66.5%
Expense ratio	27.0%	24.9%	27.0%	25.1%
Combined ratio	101.2%	91.3%	98.6%	91.6%

Consolidated Results of Operations for the Three Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium. Gross written premium increased $126.6 million , or 6.1% , to $2,199.7 million from $2,073.1 million for the three months ended June 30, 2017 and 2016 , respectively. The increase was attributable to growth in our Small Commercial Business and Specialty Risk and Extended Warranty segments. The majority of the increase in the Small Commercial Business segment was attributable to an increase in the number of workers' compensation policies issued and the acquisition of Republic, which contributed approximately $20 million of gross written premium, partially offset by a slight decrease in premium rate. The increase in our Specialty Risk and Extended Warranty segment was attributable to our acquisitions of ANV and Nationale Borg, which contributed approximately $173 million and $20 million of gross written premium, respectively. The increase in our gross written premium was partially offset by the termination of certain workers' compensation programs in our Specialty Program segment.

Net Written Premium . Net written premium increased $103.5 million , or 8.2% , to $1,371.9 million from $1,268.4 million for the three months ended June 30, 2017 and 2016 , respectively. The increase is primarily due to an increase in gross written premium, and from an increase in the retention of gross written premium to 62.4% from 61.2% for the three months ended June 30, 2017 and 2016 , respectively. The increase in retention resulted from a decrease, as compared to the same period 2016 , in business written that is reinsured under the Maiden Quota Share agreement or with other third party reinsurers.

Net Earned Premium. Net earned premium increased $199.0 million , or 16.8% , to $1,380.7 million from $1,181.8 million for the three months ended June 30, 2017 and 2016 , respectively. The increase in net earned premium resulted from an increase in gross written premium in the second quarter of 2017 compared to the second quarter of 2016 , and policies assumed from the ANV acquisition, which had accelerated earnings patterns.

Service and Fee Income. Service and fee income increased $44.1 million , or 35.5% , to $168.4 million from $124.3 million for the three months ended June 30, 2017 and 2016 , respectively. The Specialty Risk and Extended Warranty segment increased fees incrementally by approximately $22.6 million, primarily from the acquisitions of PDP, First Nationwide Title Insurance Agency and Assure Space. Fees for services provided to Maiden and NGHC increased approximately $13.9 million for the second quarter of 2017 compared to the second quarter of 2016 . The remainder of the increase related to increased fees from product warranty registration and claims handling services.

Net Investment Income. Net investment income decreased $1.5 million , or 3.0% , to $49.2 million from $50.7 million for the three months ended June 30, 2017 and 2016 , respectively. The decrease was due to a change in accounting estimate related to non-cash depreciation and amortization from two real estate joint venture investments, partially offset by investment income from available for sale securities, which resulted primarily from having higher average invested assets arising from our investment of certain proceeds from our $300 million private placement, preferred stock offerings occurring in 2016 and investment portfolios obtained through acquisitions.

Net Realized Gains/(Loss) on Investments. We had net realized gains on investments of $23.5 million and $15.1 million for the three months ended June 30, 2017 and 2016 , respectively. The increase related primarily to an increase in sales of securities in gain positions.

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses increased $240.1 million , or 30.6% , to $1,024.5 million for the three months ended June 30, 2017 from $784.4 million for the three months ended June 30, 2016 . Our loss ratio for the three months ended June 30, 2017 and 2016 was 74.2% and 66.4% , respectively. Included in the 74.2% loss ratio was $73.1 million of prior period adverse reserve development, the majority of which related to the Small Commercial Business and Specialty Program segments (representing 5.3% of the loss ratio and 1.2% of the prior year-ending net reserve balance). This has led to re-underwriting, rate changes, and/or termination of certain programs in the Specialty Program segment that generated the prior period adverse reserve development. In addition, the increase in our loss ratio was partially attributable to catastrophe losses of $24.8 million in our Small Commercial Business segment (representing 1.8% of the loss ratio).

Acquisition Costs and Other Underwriting Expense; Expense Ratio. Acquisition costs and other underwriting expenses increased $78.7 million , or 26.7% , to $373.2 million for the three months ended June 30, 2017 from $294.5 million for the three months ended June 30, 2016 . Acquisition costs and other underwriting expenses in each period were reduced by ceding commission primarily earned through the Maiden Quota Share, through which we receive a ceding commission of 31% of premiums ceded for all business except retail commercial package business, and 34.375% for retail commercial package business. The ceding commission earned during the three months ended June 30, 2017 and 2016 was $160.4 million and $146.9 million , respectively. The increase in ceding commission earned is a result of increases in gross written premium, partially offset by an increase in our retention of gross written premium. On a consolidated basis, we retained 62.4% of our gross written premium for the three months ended June 30, 2017 , compared to 61.2% for the three months ended June 30, 2016 . Our overall expense ratio was 27.0% and

24.9% during the three months ended June 30, 2017 and 2016 , respectively. The increase in the expense ratio was primarily a result of higher direct acquisition costs related to our 2016 acquisitions of Republic, Nationale Borg and ANV, and higher professional service fees.

Income Before Other Income (Expense), Income Taxes and Equity Earnings of Unconsolidated Subsidiaries . Income before other income (expense), income taxes and equity earnings of unconsolidated subsidiaries decreased $134.4 million , or 84.7% , to $24.3 million for the three months ended June 30, 2017 from $158.7 million for the three months ended June 30, 2016 . The decrease primarily resulted from an increase in the loss ratio and expense ratio, partially offset by an increase in earned premium, service and fee income and net realized gains.

Net Interest Expense. Net interest expense for the three months ended June 30, 2017 was $24.2 million , compared to $17.9 million for the same period in 2016 . The increase related to interest expense on real estate loans, a decrease in interest income on our loan to ACP Re, along with an overall increase in our use of letters of credit.

Net Gain (Loss) on Investment in Life Settlement Contracts. We recognized a loss on investment in life settlement contracts of $1.3 million for the three months ended June 30, 2017 compared to a gain of $12.7 million for the three months ended June 30, 2016 . The decrease primarily related to one policy maturing during the three months ended June 30, 2017 and three policies maturing during the three months ended June 30, 2016 .

Foreign Currency Gain (Loss). The foreign currency transaction loss was $58.9 million during the three months ended June 30, 2017 compared to a loss of $29.0 million during the same period in 2016 . The loss for the three months ended June 30, 2017 related to the weakening of the U.S. dollar compared to the British pound and Euro, which negatively impacts our Bermuda reinsurance subsidiary that reinsures European-denominated risks. The loss for the prior period resulted from the weakening of the British pound sterling compared to the Euro, which negatively impacts our U.K. insurance subsidiaries that write Euro-denominated risks that are re-valued at the end of the quarter.

Provision (Benefit) for Income Tax. Income tax benefit for the three months ended June 30, 2017 was $19.7 million , which resulted in an effective tax rate of (32.8)%, compared to an income tax provision of $23.8 million for the three months ended June 30, 2016 , which resulted in an effective tax rate of 14.6% . The effective tax rate decreased in the second quarter of 2017 as pre-tax income declined from second quarter 2016 to second quarter 2017.

Equity in Earnings of Unconsolidated Subsidiaries - Related Parties . Equity in earnings of unconsolidated subsidiaries – related parties was $69.5 million and $4.8 million for the three months ended June 30, 2017 and 2016 , respectively. The increase resulted primarily from a gain of $68.4 million recognized from our second quarter 2017 sale of 10.6 million shares of NGHC stock.

Consolidated Results of Operations for the Six Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium. Gross written premium increased $459.8 million , or 11.5% , to $4,466.0 million from $4,006.2 million for the six months ended June 30, 2017 and 2016 , respectively. The increase was attributable to growth in our Small Commercial Business and Specialty Risk and Extended Warranty segments. The majority of the increase in the Small Commercial Business segment was attributable to an increase in the number of workers' compensation policies issued and the acquisition of Republic, which contributed approximately $136 million gross written premium, partially offset by a slight decrease in premium rate. The increase in our Specialty Risk and Extended Warranty segment was attributable to our acquisitions of ANV and Nationale Borg, which contributed approximately $352 million and $52 million of gross written premium, respectively. The increase in our gross written premium was partially offset by the termination of certain workers' compensation programs in our Specialty Program segment.

Net Written Premium . Net written premium increased $226.9 million , or 9.1% , to $2,716.0 million from $2,489.1 million for the six months ended June 30, 2017 and 2016 , respectively. Net written premium increased primarily due to an increase in gross written premium, partially offset by a decrease in the retention of gross written premium to 60.8% from 62.1% for the six months ended June 30, 2017 and 2016 , respectively. The decrease in retention resulted from an increase, as compared to the same period in 2016 , in business written that is reinsured under the Maiden Quota Share agreement or with other third party reinsurers.

Net Earned Premium. Net earned premium increased $347.2 million , or 15.4% , to $2,603.2 million from $2,256.0 million for the six months ended June 30, 2017 and 2016 , respectively. The increase primarily resulted from an increase in gross written premium in the first half of 2017 compared to the first half of 2016 , and policies assumed from the ANV acquisition, which had accelerated earnings patterns.

Service and Fee Income. Service and fee income increased $52.8 million , or 20.9% , to $305.9 million from $253.1 million for the six months ended June 30, 2017 and 2016 , respectively. The Specialty Risk and Extended Warranty segment increased fees incrementally by approximately $33.8 million from acquisitions of PDP, First Nationwide Title Insurance Agency and Assure Space. Fees for services provided to Maiden and NGHC increased approximately $13.6 million for the first half of 2017 compared to the first half of 2016 . The remainder of the increase in the six months ended June 30, 2017 compared to the six months ended June 30, 2016 related to increased fees from product warranty registration and claims handling services.

Net Investment Income. Net investment income increased $12.4 million , or 12.4% , to $112.6 million from $100.2 million for the six months ended June 30, 2017 and 2016 , respectively. The increase resulted primarily from having higher average invested assets during the six months ended June 30, 2017 compared to the same period in 2016 , arising from our investment of certain proceeds from 2016 preferred stock offerings and investment portfolios obtained through acquisitions.

Net Realized Gains/(Loss) on Investments. We had net realized gains on investments of $32.1 million and $23.1 million for the six months ended June 30, 2017 and 2016 , respectively. The increase related primarily to losses from other-than-temporary impairment of securities of $17 million during the six months ended June 30, 2016.

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses increased $365.3 million , or 24.4% , to $1,864.8 million for the six months ended June 30, 2017 from $1,499.5 million for the six months ended June 30, 2016 . Our loss ratio for the six months ended June 30, 2017 and 2016 was 71.6% and 66.5% , respectively. Included in the 71.6% loss ratio was $91.9 million of prior period adverse reserve development primarily in our Small Commercial Business and Specialty Program segments (representing 3.5% of the loss ratio and 1.5% of the prior year-ending net reserve balance), which has led to re-underwriting, rate changes, and/or termination of certain specialty programs that generated the prior period adverse reserve development. In addition, the increase in our loss ratio was partially attributable to catastrophe losses of $49.0 million in our Small Commercial Business segment (representing 1.9% of the loss ratio).

Acquisition Costs and Other Underwriting Expenses; Expense Ratio. Acquisition costs and other underwriting expenses increased $134.5 million , or 23.7% , to $701.4 million for the six months ended June 30, 2017 from $566.9 million for the six months ended June 30, 2016 . Acquisition costs and other underwriting expenses in each period were reduced by ceding commission primarily earned through the Maiden Quota Share, through which we receive a ceding commission of 31% of premiums ceded for all business except retail commercial package business, and 34.375% for retail commercial package business. The ceding commission earned during the six months ended June 30, 2017 and 2016 was $317.3 million and $286.5 million , respectively. Ceding commission increased as a result of increases in gross written premium and a decrease in our retention of gross written premium. Our overall expense ratio was 27.0% and 25.1% during the six months ended June 30, 2017 and 2016 , respectively. The increase in the expense ratio was a result, primarily, of higher direct acquisition costs from our 2016 acquisitions of Republic, Nationale Borg and ANV, and higher professional service fees.

Income Before Other Income (Expense), Income Taxes and Equity Earnings of Unconsolidated Subsidiaries . Income before other income (expense), income taxes and equity earnings of unconsolidated subsidiaries decreased $177.5 million , or 58.7% , to $124.9 million for the six months ended June 30, 2017 from $302.4 million for the six months ended June 30, 2016 . The decrease resulted primarily from an increase in the loss ratio and expense ratio, partially offset by an increase in earned premium.

Net Interest Expense. Net interest expense for the six months ended June 30, 2017 was $47.8 million , compared to $33.8 million for the same period in 2016 . The increase primarily related to interest expense on additional debt issued and assumed in connection with the Republic acquisition of $2.5 million, a decrease of interest received from our loan to ACP Re of $2.1 million, higher interest expense on real estate loans along with an overall increase in our use of letters of credit.

Net Gain on Investment in Life Settlement Contracts. We recognized gains on investment in life settlement contracts of $7.3 million for the six months ended June 30, 2017 compared to $23.4 million for the six months ended June 30, 2016 . The decrease in the recognized gain related to an increase in the amount of premium paid and the fair value of the portfolio of policies increasing at a declining rate, partially offset by and a decrease in commission expense. Two policies matured during the six months ended June 30, 2017 and three policies matured during the six months ended June 30, 2016 .

Foreign Currency (Loss) Gain. The foreign currency transaction loss was $76.9 million during the six months ended June 30, 2017 compared to a loss of $67.2 million during the same period in 2016 . The loss for the six months ended June 30, 2017 related to the weakening of the U.S. dollar compared to the British pound and Euro, which negatively impacts our Bermuda reinsurance subsidiary that reinsure European-denominated risks. The loss for the prior period resulted from the weakening of the British pound sterling compared to the Euro, which negatively impacts our U.K. insurance subsidiaries that write Euro-denominated risks that are re-valued at the end of the quarter.

Provision for Income Tax. Income tax provision for the six months ended June 30, 2017 was $1.6 million , which resulted in an effective tax rate of 21.8%, compared to an income tax provision of $42.8 million for the six months ended June 30, 2016 , which resulted in an effective tax rate of 15.6% . The increase in the effective tax rate in the six months ended June 30, 2017 compared to the six months ended June 30, 2016 resulted from a greater percentage of our taxable income generated in jurisdictions with higher tax rates in the first half of 2017 as compared to the first half of 2016 , an increase in deemed U.S. taxable income inclusions from foreign operations as a percentage of pre-tax income, and a decrease in valuation allowance in the first half of 2016 that did not occur in 2017.

Equity in Earnings of Unconsolidated Subsidiaries - Related Parties . Equity in earnings of unconsolidated subsidiaries – related parties was $73.5 million and $10.6 million for the six months ended June 30, 2017 and 2016 , respectively. The increase resulted primarily from a gain of $68.4 million recognized from our sale of 10.6 million shares of NGHC stock.

Small Commercial Business Segment Results of Operations for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Amounts in Thousands)		(As restated)		(As restated)
Gross written premium	$ 1,123,292	$ 1,060,558	$ 2,380,577	$ 2,126,690
Net written premium	$ 638,762	$ 601,638	$ 1,297,741	$ 1,226,166
Change in unearned premium	(6,898)	(28,660)	(112,252)	(149,094)
Net earned premium	631,864	572,978	1,185,489	1,077,072
Loss and loss adjustment expense	(466,901)	(382,950)	(844,338)	(715,634)
Acquisition costs and other underwriting expenses	(170,179)	(150,149)	(324,820)	(283,681)
	(637,080)	(533,099)	(1,169,158)	(999,315)
Underwriting (loss) income	$ (5,216)	$ 39,879	$ 16,331	$ 77,757
Key measures:				
Loss ratio	73.9%	66.8%	71.2%	66.4%
Expense ratio	26.9%	26.2%	27.4%	26.4%
Combined ratio	100.8%	93.0%	98.6%	92.8%

Small Commercial Business Segment Results of Operations for the Three Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium. Gross written premium increased $62.7 million , or 5.9% , to $1,123.3 million for the three months ended June 30, 2017 from $1,060.6 million for the three months ended June 30, 2016 . The increase was attributable to an increase in the number of workers' compensation policies issued, partially offset by a slight decrease in premium rate. In addition, the acquisition of Republic contributed approximately $20 million of incremental gross written premium for the three months ended June 30, 2017 .

Net Written Premium . Net written premium increased $37.1 million , or 6.2% , to $638.8 million for the three months ended June 30, 2017 from $601.6 million for the three months ended June 30, 2016 . The increase in net written premium resulted from an increase in gross written premium for the three months ended June 30, 2017 compared to the same period in 2016 , and a slight increase in the retention of gross written premium during 2017 compared to 2016 . Our retention of gross written premium for the segment was 56.9% and 56.7% for the three months ended June 30, 2017 and 2016 , respectively.

Net Earned Premium. Net earned premium increased $58.9 million , or 10.3% , to $631.9 million for the three months ended June 30, 2017 from $573.0 million for the three months ended June 30, 2016 . As premiums written are earned ratably over an annual period, the increase in net earned premium resulted from higher net written premium for the twelve months ended June 30, 2017 compared to the same period in 2016 .

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses increased $84.0 million , or 21.9% , to $466.9 million for the three months ended June 30, 2017 from $383.0 million for the three months ended June 30, 2016 . Our loss ratio for the segment for the three months ended June 30, 2017 increased to 73.9% compared to 66.8% for the three months ended June 30, 2016 . The increase in the loss ratio was the result, primarily, of $39.0 million of adverse reserve development (representing 6.2% of the loss ratio) and the incremental increase in catastrophe losses of $7.6 million (representing 1.2% of the loss ratio). Additionally, a portion of the increase related to higher current accident year selected ultimate losses as compared to the prior period.

Acquisition Costs and Other Underwriting Expenses; Expense Ratio. Acquisition costs and other underwriting expenses increased $20.0 million , or 13.3% , to $170.2 million for the three months ended June 30, 2017 from $150.1 million for the three months ended June 30, 2016 . Acquisition costs and other underwriting expenses were reduced by ceding commission earned during the three months ended June 30, 2017 and 2016 of $73.0 million and $73.8 million , respectively. The ceding commission was flat period over period, as the segment received a larger allocation of ceding commission for its proportionate share of our overall policy acquisition expense. The expense ratio increased to 26.9% from 26.2% for the three months ended June 30, 2017 and 2016 , respectively, primarily as a result of higher direct acquisition costs from the Republic business, which was included for the entire second quarter in 2017 compared to a portion of the second quarter in 2016 before we acquired Republic.

Net Earned Premiums less Expense Included in Combined Ratio (Underwriting (Loss) Income). Net premiums earned less expenses included in combined ratio decreased $45.1 million , or 113.1% , to $(5.2) million for the three months ended June 30, 2017 from $39.9 million for the three months ended June 30, 2016 . The decrease resulted primarily from an increase in the loss ratio during the three months ended June 30, 2017 compared to the three months ended June 30, 2016 , partially offset by an increase in the level of earned premium.

Small Commercial Business Segment Results of Operations for the Six Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium. Gross written premium increased $253.9 million , or 11.9% , to $2,380.6 million for the six months ended June 30, 2017 from $2,126.7 million for the six months ended June 30, 2016 . The increase was attributable to an increase in the number of workers' compensation policies issued, partially offset by a slight decrease in premium rate. In addition, the acquisition of Republic contributed approximately $136 million of incremental gross written premium for the six months ended June 30, 2017 .

Net Written Premium . Net written premium increased $71.6 million , or 5.8% , to $1,297.7 million for the six months ended June 30, 2017 from $1,226.2 million for the six months ended June 30, 2016 . The increase in net written premium resulted from an increase in gross written premium for the six months ended June 30, 2017 compared to the same period in 2016 , partially offset by a decrease in the retention of gross written premium during 2017 compared to 2016 . Our retention of gross written premium for the segment was 54.5% and 57.7% for the six months ended June 30, 2017 and 2016 , respectively, resulting from our ceding to third party reinsurers a large portion of the gross written premium generated as a result of our April 2016 acquisition of Republic.

Net Earned Premium. Net earned premium increased $108.4 million , or 10.1% , to $1,185.5 million for the six months ended June 30, 2017 from $1,077.1 million for the six months ended June 30, 2016 . As premiums written are primarily earned ratably over an annual period, the increase in net earned premium resulted from higher net written premium for the twelve months ended June 30, 2017 compared to the same period in 2016 .

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses increased $128.7 million , or 18.0% , to $844.3 million for the six months ended June 30, 2017 from $715.6 million for the six months ended June 30, 2016 . Our loss ratio for the segment for the six months ended June 30, 2017 increased to 71.2% compared to 66.4% for the six months ended June 30, 2016 . The increase in the loss ratio was primarily the result of adverse reserve development of $39.0 million (representing 3.3% of the loss ratio) and the incremental increase in catastrophe losses of $29.8 million (representing 2.5% of the loss ratio).

Acquisition Costs and Other Underwriting Expenses; Expense Ratio. Acquisition costs and other underwriting expenses increased $41.1 million , or 14.5% , to $324.8 million for the six months ended June 30, 2017 from $283.7 million for the six months ended June 30, 2016 . Acquisition costs and other underwriting expenses were reduced by ceding commission earned during the six months ended June 30, 2017 and 2016 of $146.9 million and $142.6 million , respectively. The ceding commission increased period over period as a result of an increase in net earned premium, as the segment received a larger allocation of ceding commission for its proportionate share of our overall policy acquisition expense. The expense ratio increased to 27.4% from 26.4% for the six months ended June 30, 2017 and 2016 , respectively, primarily as a result of higher direct acquisition costs from the Republic business for the entire six months in 2017 as compared to the business written in this segment during the portion of the first six months of 2016 before we acquired Republic.

Net Earned Premiums less Expense Included in Combined Ratio (Underwriting Income). Net earned premiums less expenses included in combined ratio decreased $61.4 million , or 79.0% , to $16.3 million for the six months ended June 30, 2017 from $77.8 million for the six months ended June 30, 2016 . The decrease resulted primarily from an increase in the loss ratio during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 , partially offset by an increase in the level of earned premium.

Specialty Risk and Extended Warranty Segment Results of Operations for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Amounts in Thousands)		**(As restated)**		**(As restated)**
Gross written premium	$ 795,932	$ 651,561	$ 1,528,374	$ 1,181,007
Net written premium	$ 555,486	$ 447,061	$ 1,065,694	$ 784,894
Change in unearned premium	(16,483)	(89,177)	(53,201)	(105,169)
Net earned premium	539,003	357,884	1,012,493	679,725
Loss and loss adjustment expense	(370,840)	(231,328)	(683,444)	(442,264)
Acquisition costs and other underwriting expenses	(140,310)	(78,773)	(258,773)	(151,624)
	(511,150)	(310,101)	(942,217)	(593,888)
Underwriting income	$ 27,853	$ 47,783	$ 70,276	$ 85,837
Key measures:				
Loss ratio	68.8%	64.6%	67.5%	65.1%
Expense ratio	26.0%	22.0%	25.6%	22.3%
Combined ratio	94.8%	86.6%	93.1%	87.4%

Specialty Risk and Extended Warranty Segment Results of Operations for the Three Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium . Gross written premium increased $144.4 million , or 22.2% , to $795.9 million for the three months ended June 30, 2017 from $651.6 million for the three months ended June 30, 2016 . We experienced growth primarily in our European business, while our U.S. business was relatively flat period over period. Our 2016 acquisitions of Nationale Borg and ANV collectively added gross written premium of $193 million to our European business, which was partially offset by fluctuations in European exchange rates.

Net Written Premium . Net written premium increased $108.4 million , or 24.3% , to $555.5 million for the three months ended June 30, 2017 from $447.1 million for the three months ended June 30, 2016 . The increase in net written premium resulted from an increase of gross written premium for the three months ended June 30, 2017 compared to the same period in 2016 , and an increase in our retention of gross written premium period over period. Our overall retention of gross written premium for the segment increased to 69.8% from 68.6% . The increase in the retention of gross written premium primarily related to the Nationale Borg business, acquired in May 2016, and the ANV business, acquired in November 2016, neither of which is reinsured under the Maiden Quota Share agreement. In addition, beginning in July 2016, our U.K. subsidiary began ceding 32.5% of its Italian medical liability business to Maiden, down from 40%.

Net Earned Premium . Net earned premium increased $181.1 million , or 50.6% , to $539.0 million for the three months ended June 30, 2017 from $357.9 million for the three months ended June 30, 2016 . Net earned premium increased due to an increase in net written premium during the twelve months ended June 30, 2017 compared to the same period in 2016 . As net written premium is earned ratably over the term of a policy, the increase in net earned premium resulted from the increase in net written premium period over period, and policies assumed from the ANV acquisition, which had accelerated earnings patterns.

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses increased $139.5 million , or 60.3% , to $370.8 million for the three months ended June 30, 2017 from $231.3 million for the three months ended June 30, 2016 . Our loss ratio for the segment for the three months ended June 30, 2017 increased to 68.8% from 64.6% compared with the same period in 2016 . The increase in the loss ratio resulted from having a higher percentage of net earned premium in lines of business with higher ultimate loss selections during the three months ended June 30, 2017 compared to the three months ended June 30, 2016 . Additionally, we had $9.5 million of prior year loss development related to the Lloyd's business in the three months ended June 30, 2017 , and no material prior year loss reserve development in the three months ended June 30, 2016 .

Acquisition Costs and Other Underwriting Expenses; Expense Ratio. Acquisition costs and other underwriting expenses increased $61.5 million , or 78.1% , to $140.3 million for the three months ended June 30, 2017 from $78.8 million for the three months ended June 30, 2016 . Acquisition costs and other underwriting expenses were reduced by ceding commission earned during the three months ended June 30, 2017 and 2016 of $60.4 million and $38.8 million , respectively. The ceding commission increased period over period as the segment received a consistent allocation of ceding commission for its proportionate share of our overall policy acquisition expense. The expense ratio was 26.0% for the three months ended June 30, 2017 compared to 22.0% for the three months ended June 30, 2016 . The increase in the expense ratio primarily resulted from increases in direct higher acquisition costs from our acquisitions of Nationale Borg and ANV.

Net Earned Premiums less Expenses Included in Combined Ratio (Underwriting Income). Net earned premiums less expenses included in combined ratio decreased $19.9 million , or 41.7% , to $27.9 million for the three months ended June 30, 2017 from $47.8 million for the three months ended June 30, 2016 . The decrease was attributable to an increase in the segment's combined ratio during the three months ended June 30, 2017 compared to the three months ended June 30, 2016 , partially offset by an increase in the level of earned premium.

Specialty Risk and Extended Warranty Segment Results of Operations for the Six Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium . Gross written premium increased $347.4 million , or 29.4% , to $1,528.4 million for the six months ended June 30, 2017 from $1,181.0 million for the six months ended June 30, 2016 . We experienced growth primarily in our European business during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 , while our U.S. business was relatively flat period over period. Our 2016 acquisitions of Nationale Borg and ANV collectively added gross written premium of $404 million to our European business, which was partially offset by fluctuations in European exchange rates.

Net Written Premium . Net written premium increased $280.8 million , or 35.8% , to $1,065.7 million for the six months ended June 30, 2017 from $784.9 million for the six months ended June 30, 2016 . The increase in net written premium resulted from an increase of gross written premium for the six months ended June 30, 2017 compared to the same period in 2016 , and an increase in our retention of gross written premium period over period. Our overall retention of gross written premium for the segment was 69.7% from 66.5% for the six months ended June 30, 2017 and 2016 , respectively. The increase in the retention of gross written premium related to the Nationale Borg business, acquired in May 2016, and the ANV business, acquired in November 2016, neither of which is reinsured under the Maiden Quota Share agreement. In addition, beginning in July 2016, our U.K. subsidiary began ceding 32.5% of its Italian medical liability business to Maiden, down from 40%.

Net Earned Premium . Net earned premium increased $332.8 million , or 49.0% , to $1,012.5 million for the six months ended June 30, 2017 from $679.7 million for the six months ended June 30, 2016 . Net earned premium increased due to an increase in net written premium during the twelve months ended June 30, 2017 compared to the same period in 2016 . As net written premium is earned ratably over the term of a policy, the increase in net earned premium resulted from the increase in net written premium period over period, and policies assumed from the ANV acquisition, which had accelerated earnings patterns.

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses increased $241.2 million , or 54.5% , to $683.4 million for the six months ended June 30, 2017 from $442.3 million for the six months ended June 30, 2016 . Our loss ratio for the segment for the six months ended June 30, 2017 increased to 67.5% from 65.1% for the same period in 2016 . The increase in the loss ratio resulted from having a higher percentage of net earned premium in lines of business with higher ultimate loss selections during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 . We had $9.5 million of prior year loss reserve development in the six months ended June 30, 2017 , and no material prior year loss reserve development in the six months ended June 30, 2016 .

Acquisition Costs and Other Underwriting Expenses; Expense Ratio. Acquisition costs and other underwriting expenses increased $107.1 million , or 70.7% , to $258.8 million for the six months ended June 30, 2017 from $151.6 million for the six months ended June 30, 2016 . Acquisition costs and other underwriting expenses were reduced by ceding commission earned during the six months ended June 30, 2017 and 2016 of $117.1 million and $75.3 million , respectively. The ceding commission increased period over period as the segment received a consistent allocation of ceding commission for its proportionate share of our overall policy acquisition expense. The expense ratio was 25.6% for the six months ended June 30, 2017 compared to 22.3% for the six months ended June 30, 2016 . The increase in the expense ratio resulted from direct acquisition costs from our acquisitions of Nationale Borg and ANV.

Net Earned Premiums less Expenses Included in Combined Ratio (Underwriting Income). Net earned premiums less expenses included in combined ratio decreased $15.6 million , or 18.1% , to $70.3 million for the six months ended June 30, 2017 from $85.8 million for the six months ended June 30, 2016 . The decrease was attributable to an increase in the segment's combined ratio during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 , partially offset by an increase in the level of earned premium.

Specialty Program Segment Results of Operations for The Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Amounts in Thousands)		(As restated)		(As restated)
Gross written premium	$ 280,523	$ 360,993	$ 557,076	$ 698,489
Net written premium	$ 177,654	$ 219,737	$ 352,533	$ 478,055
Change in unearned premium	32,188	31,153	52,726	21,182
Net earned premium	209,842	250,890	405,259	499,237
Loss and loss adjustment expense	(186,737)	(170,115)	(337,030)	(341,568)
Acquisition costs and other underwriting expenses	(62,706)	(65,555)	(117,817)	(131,640)
	(249,443)	(235,670)	(454,847)	(473,208)
Underwriting (loss) income	$ (39,601)	$ 15,220	$ (49,588)	$ 26,029
Key measures:				
Loss ratio	89.0%	67.8%	83.2%	68.4%
Expense ratio	29.9%	26.1%	29.0%	26.4%
Combined ratio	118.9%	93.9%	112.2%	94.8%

Specialty Program Segment Results of Operations for the Three Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium . Gross written premium decreased $80.5 million , or 22.3% , to $280.5 million for the three months ended June 30, 2017 from $361.0 million for the same period in 2016 . Gross written premium decreased period over period as the result of the termination of certain workers' compensation programs.

Net Written Premium . Net written premium decreased $42.1 million , or 19.2% , to $177.7 million for the three months ended June 30, 2017 from $219.7 million for the same period in 2016 as a result of the decrease in gross written premium for the three months ended June 30, 2017 compared to the three months ended June 30, 2016 , partially offset by the cession of a smaller percentage of gross written premium to reinsurers during the three months ended June 30, 2017 compared to the same period in 2016 . Our overall retention of gross written premium for the segment increased 63.3% from 60.9% for the three months ended June 30, 2017 and 2016 , respectively, primarily because the terminated programs were reinsured under the Maiden Quota Share.

Net Earned Premium. Net earned premium decreased $41.0 million , or 16.4% , to $209.8 million for the three months ended June 30, 2017 from $250.9 million for the same period in 2016 . As premiums written are typically earned ratably over an annual period, the decrease in net earned premium resulted from lower net written premium for the annual period prior to the twelve months ended June 30, 2017 compared to the same period in 2016 . Net earned premium decreased year over year proportionately

less than net written premium during the same comparative period as a decline in net earned premium lags slightly behind a decrease in net written premium.

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses increased $16.6 million , or 9.8% , to $186.7 million for the three months ended June 30, 2017 , compared to $170.1 million for the same period in 2016 . Our loss ratio for the segment increased to 89.0% compared to 67.8% for the three months ended June 30, 2017 and 2016 , respectively. The increase in the loss ratio resulted from prior period adverse reserve development of $24.6 million, driven primarily by certain workers' compensation and general liability programs, which has led to re-underwriting, rate changes, and/or termination of the majority of the programs that generated the prior period adverse reserve development.

Acquisition Costs and Other Underwriting Expenses; Expense Ratio . Acquisition costs and other underwriting expenses decreased $2.8 million , or 4.3% , to $62.7 million for the three months ended June 30, 2017 from $65.6 million for the same period in 2016 . Acquisition costs and other underwriting expenses were reduced by ceding commission earned during the three months ended June 30, 2017 and 2016 of $27.0 million and $34.3 million , respectively. The ceding commission decreased period over period as a result of a decrease in net earned premium, as the segment received a consistent allocation of ceding commission for its proportionate share of our overall policy acquisition expense. Our expense ratio was 29.9% for the three months ended June 30, 2017 compared to 26.1% for the three months ended June 30, 2016 , primarily as a result of the termination of programs with lower acquisition costs as compared to the current business written in this segment.

Net Earned Premiums less Expense Included in Combined Ratio (Underwriting (Loss) Income). Net earned premiums less expenses included in combined ratio decreased $54.8 million , or 360% , to $(39.6) million for the three months ended June 30, 2017 from $15.2 million for the three months ended June 30, 2016 . The decrease was attributable to an increase in the segment's combined ratio coupled with a lower level of net earned premium in the three months ended June 30, 2017 compared to the same period in 2016 .

Specialty Program Segment Results of Operations for the Six Months Ended June 30, 2017 and 2016 (Unaudited)

Gross Written Premium . Gross written premium decreased $141.4 million , or 20.2% , to $557.1 million for the six months ended June 30, 2017 from $698.5 million for the same period in 2016 . Gross written premium decreased period over period as the result of a termination of certain workers' compensation programs.

Net Written Premium . Net written premium decreased $125.5 million , or 26.3% , to $352.5 million for the six months ended June 30, 2017 from $478.1 million for the same period in 2016 as a result of the decrease in gross written premium period over period and the cession of a larger percentage of gross written premium to reinsurers during the six months ended June 30, 2017 compared to the same period in 2016 . Our overall retention of gross written premium for the segment was 63.3% and 68.4% for the six months ended June 30, 2017 and 2016 , respectively, primarily because the terminated programs were reinsured under the Maiden Quota Share.

Net Earned Premium. Net earned premium decreased $94.0 million , or 18.8% to $405.3 million for the six months ended June 30, 2017 from $499.2 million for the same period in 2016 . As premiums written are typically earned ratably over an annual period, the decrease in net earned premium resulted from lower net written premium for the annual period prior to the twelve months ended June 30, 2017 compared to the same period in 2016 . Net earned premium decreased year over year proportionately less than net written premium during the same comparative period as a decline in net earned premium lags slightly behind a decrease in net written premium.

Loss and Loss Adjustment Expenses; Loss Ratio. Loss and loss adjustment expenses decreased $4.5 million , or 1.3% , to $337.0 million for the six months ended June 30, 2017 , compared to $341.6 million for the same period in 2016 . Our loss ratio for the segment increased to 83.2% compared to 68.4% for the six months ended June 30, 2017 and 2016 , respectively. The increase in the loss ratio resulted from prior period adverse reserve development of $43.4 million, driven primarily by certain general liability and workers' compensation programs, which has led to re-underwriting, rate changes, and/or termination of the majority of the programs that generated the prior period adverse reserve development.

Acquisition Costs and Other Underwriting Expenses; Expense Ratio . Acquisition costs and other underwriting expenses decreased $13.8 million , or 10.5% , to $117.8 million for the six months ended June 30, 2017 from $131.6 million for the same period in 2016 . Acquisition costs and other underwriting expenses were reduced by ceding commission earned during the six months ended June 30, 2017 and 2016 of $53.3 million and $68.5 million , respectively. The ceding commission decreased period over period as a result of a decrease in net earned premium, as the segment received a consistent allocation of ceding commission for its proportionate share of our overall policy acquisition expense. Our expense ratio was 29.0% for the six months ended June 30,

2017 compared to 26.4% for the six months ended June 30, 2016 , primarily as a result of the termination of programs with lower acquisition costs as compared to the current business written in this segment.

Net Earned Premiums less Expense Included in Combined Ratio (Underwriting (Loss) Income). Net earned premiums less expenses included in combined ratio decreased $75.6 million , or 290.5% , to $(49.6) million for the six months ended June 30, 2017 from $26.0 million for the six months ended June 30, 2016 . The decrease was due to a higher combined ratio coupled with a lower level of net earned premium in the six months ended June 30, 2017 compared to the same period in 2016 .

Liquidity and Capital Resources

Our principal sources of operating funds are premiums, service and fee income, investment income and proceeds from sales and maturities of investments. Our primary uses of operating funds include payments of claims and operating expenses. Currently, we pay claims using cash flow from operations and invest our excess cash primarily in fixed maturity and equity securities. We expect that projected cash flow from operations will provide us sufficient liquidity to fund our anticipated growth for at least the next twelve months. However, if our growth attributable to potential acquisitions, internally generated growth or a combination of these, exceeds our projections, we may have to raise additional capital sooner to support our growth. As a result, we may from time to time raise capital from the issuance of equity, debt, equity-related debt or other capital securities, or seek to redeem, repurchase or exchange for other securities, prior to maturity, some or all of our outstanding debt in the open market, as circumstances allow. If we cannot obtain adequate capital or refinance all or a portion of our debt on favorable terms or at all, we may be unable to support future growth or operating requirements and, as a result, our business, financial condition and results of operation could be adversely affected. Additional information regarding our ability to access the public markets to raise capital is discussed in "Item 1A. Risk Factors" appearing elsewhere in this Form 10-Q.

The following table is a summary of our statement of cash flows:

	Six Months Ended June 30,	
	2017	2016
(Amounts in Thousands)		**(As restated)**
Cash and cash equivalents provided by (used in):		
Operating activities	$ 277,550	$ 648,749
Investing activities	(103,310)	(834,173)
Financing activities	130,498	329,667

Net cash provided by operating activities was $278 million and $649 million for the six months ended June 30, 2017 and 2016 , respectively. The decrease in cash provided by operating activities was primarily due to an increase in claim payments. Cash payments for claims were approximately $1,515 million and $1,216 million in the six months ended June 30, 2017 and 2016 , respectively.

Net cash used in investing activities was $103 million and $834 million for the six months ended June 30, 2017 and 2016 , respectively. The decrease in cash used by investing activities was primarily due to an increase in cash received from sales of fixed maturity securities and equity securities and the sale of common shares of NGHC. Please see Note 10 for additional information on the sale of NGHC shares.

Net cash provided by financing activities was $130 million and $330 million for the six months ended June 30, 2017 and 2016 , respectively. The decrease in cash provided by financing activities was primarily due to increased cash used for repurchase agreements, partially offset by cash received from the issuance of common stock through a private placement. Please see Note 10 for additional information on the private placement.

Preferred Stock

We have outstanding six separate series (Series A through F) of non-cumulative preferred stock. Five of these series (Series B, C, D, E and F) were issued in offerings using depositary shares, each representing a 1/40th interest in a share of the particular series of preferred stock. Dividends on the Series A Preferred Stock and the Series B, C, D, E and F Preferred Stock represented by depositary shares are payable on the liquidation preference amount, on a non-cumulative basis, when, as and if declared by our Board of Directors, quarterly in arrears, on March 15, June 15, September 15, and December 15 of each year.

A summary description of the terms of these series of preferred stock is presented in the table below:

Series	Dividend rate per year %	Shares of Preferred Stock issued	Depositary shares issued	Liquidation preference amount per share of Preferred Stock $	Net proceeds ($ in thousands)	Dividend paid during the six months ended June 30, 2017 ($ in thousands)
A	6.75	4,600,000	N/A	$ 25	$ 111,130	$ 3,882
B	7.25	105,000	4,200,000	1,000	101,702	3,806
C	7.625	80,000	3,200,000	1,000	77,480	3,050
D	7.50	182,500	7,300,000	1,000	176,529	6,844
E	7.75	143,750	5,750,000	1,000	139,070	5,570
F	6.95	287,500	11,500,000	1,000	278,194	9,990

For a detailed description of our Preferred Stock, refer to Note 23. “Stockholder’s Equity” in Item 8. “Financial Statements and Supplementary Data” in our 2016 Form 10-K.

$300 Million Private Placement of Common Stock

On May 25, 2017, we issued 24,096 shares of common stock at a price of $12.45 per share, through a private placement ("Private Placement") resulting in gross proceeds to us of $300 million . We contributed the proceeds from the Private Placement to our insurance subsidiaries to support their financial strength, continued organic growth, and writing of business. Certain members of the families of each of George Karfunkel, one of our directors, Leah Karfunkel, one of our directors, and Barry Zyskind, our Chairman, President and CEO, were the sole purchasers in the Private Placement. The purchasers received unregistered common shares in AmTrust, as well as certain rights to register the shares at a future date. Additionally, the purchasers agreed not to transfer the common stock, subject to certain limited exceptions for bona fide estate planning purposes, for a period of one-year from the date of purchase and not to exercise their right to vote their shares of common stock until after the conclusion of our 2018 annual meeting of shareholders.

Credit Sources

Credit Facilities

For further information on our credit facilities and outstanding notes, please see Note 7 to the Consolidated Financial Statements, included elsewhere in this report, and Note 15 in Item 8. "Financial Statements and Supplementary Data" in our 2016 Form 10-K.

Other Sources of Liquidity

In November 2016, one of our subsidiaries became a member of the Federal Home Loan Bank (“FHLB”) of Pittsburgh. Through membership, we have access to secured cash advances that can be used for supplemental liquidity purposes or other operational needs, as deemed appropriate by management. The amount of advances our subsidiary can take is dependent on eligible asset types available for pledge to secure the advances, which is limited by the statutory admitted assets and capital and surplus of the member subsidiary. At June 30, 2017 , we had no outstanding borrowings with the FHLB.

Short-Term Borrowings

We did not engage in short-term borrowings to fund our operations or for liquidity purposes during the six months ended June 30, 2017 .

Contractual Obligations

During the six months ended June 30, 2017 , our contractual obligations have not changed materially from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2016 .

Reinsurance

Our insurance subsidiaries utilize reinsurance agreements to transfer portions of the underlying risk of the business we write to various affiliated and third-party reinsurance companies. Reinsurance does not discharge or diminish our obligation to pay claims covered by the insurance policies we issue; however, it does permit us to recover certain incurred losses from our reinsurers and our reinsurance recoveries reduce the maximum loss that we may incur as a result of a covered loss event. We evaluate the financial condition of our reinsurers and place our reinsurance with a diverse group of companies and syndicates we believe to be financially stable. We carefully monitor the credit quality of our reinsurers. The total amount, cost and limits relating to the reinsurance coverage we purchase may vary from year to year based upon a variety of factors, including the availability of quality reinsurance at an acceptable price and the level of risk that we choose to retain for our own account.

Effective June 30, 2017 , we entered into an adverse loss development cover agreement, with Premia. Under the agreement, Premia will pay us for ultimate net losses paid by us in excess of a retention of $5,963.0 million , subject to an aggregate limit of $1,025.0 million , which provides $400.0 million of coverage in excess of our carried loss reserves as of March 31, 2017 in the amount of approximately $6,590.0 million .

The consideration for this agreement is a $675.0 million payment, plus an annual claims monitoring fee, of which $50.0 million represents a premium payment for the coverage above the carried loss reserves of approximately $6,590.0 million . The consideration paid to Premia will be placed into a collateral trust account as security for Premia's claim payment obligations to us. Ceded reserves will be collateralized by the premium payment and all investment income will inure to the benefit of the collateral trust account. Premia will deposit an incremental $100.0 million of excess collateral at inception and will also deposit incremental collateral in accordance with a pre-agreed schedule. We will pay interest deposited into the collateral trust account at a rate of 3.75% per annum on any unpaid portion of the $675.0 million consideration amount from July 1, 2017 to the date of payment, which must occur within 180 days following June 30, 2017 . We will retain sole authority to handle and resolve claims, and Premia has various access, association and consultation rights.

Except the agreement discussed above, we have not experienced any significant changes to our reinsurance programs since December 31, 2016 . For a more detailed description of our reinsurance arrangements, including our reinsurance arrangements with Maiden Reinsurance Ltd., see ‘‘Reinsurance’’ in ‘‘Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations’’ in our Annual Report on Form 10-K for the year ended December 31, 2016 .

Goodwill

We test goodwill for impairment annually on October 1 st or when "trigger" events occur or circumstances change that could potentially reduce the fair value of a reporting unit below its carrying amount. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds the fair value. There are various indicators that a potential impairment trigger has occurred, including, but not limited to, evidence that the asset or reporting unit is performing below expectations, including significant variation of budget to actual results; plans to discontinue use of the reporting unit or to dispose of it; significant changes in internal staffing; and general economic conditions or specific company circumstances.

We do not limit the assessment of trigger indicators to those noted above, and for the period ended June 30, 2017 , management considered the share price decline in the first half of 2017, which in turn, lowered our market capitalization, as a potential impairment trigger.

Based on the consideration of all available evidence, including analysis of quantitative and qualitative factors, we believe the share price decline in the first half of 2017 is relatively short-term in nature and is primarily related to the restatement of prior period results and associated material weaknesses disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, and is not indicative of an actual decline in our fair value or our reporting units' fair value. As a result, we have concluded that goodwill is not impaired as of June 30, 2017 . We will continue to monitor the share price and underlying fundamentals of each of our reporting units during the remainder of 2017.

Cash and Investment Portfolio

Cash, which consists of cash, cash equivalents and restricted cash and cash equivalents, along with our investment portfolio, which consists of fixed maturity securities, equity securities, and short-term investments, but excludes life settlement contracts, other investments and equity investment in unconsolidated related party subsidiaries, increased $808.1 million , or 9.0% , to $9.7 billion for the six months ended June 30, 2017 from $8.9 billion as of December 31, 2016 . Our investment portfolio is primarily classified as available-for-sale, as defined by ASC 320, *Investments — Debt and Equity Securities* . The increase in our investment portfolio during the six months ended June 30, 2017 compared to December 31, 2016 was primarily attributable to the acquisition of AmeriHealth Casualty and positive cash flows from operations. Our fixed maturity securities had a fair value of $7.8 billion and an amortized cost of $7.7 billion as of June 30, 2017 . Our equity securities had a fair value of $193.4 million with a cost of $174.2 million as of June 30, 2017 .

Our cash and investment portfolio, exclusive of life settlement contracts, equity investment in unconsolidated related party subsidiaries, and other investments is summarized in the table below by type of investment:

	June 30, 2017		December 31, 2016	
(Amounts in Thousands)	**Carrying Value**	**Percentage of Portfolio**	**Carrying Value**	**Percentage of Portfolio**
Cash, cash equivalents and restricted cash	$ 1,747,263	17.9%	$ 1,281,109	14.3%
Short-term investments	239	—	—	—
U.S. treasury securities	355,747	3.7	330,654	3.7
U.S. government agencies	13,796	0.1	63,732	0.7
Municipals	935,642	9.6	854,170	9.6
Foreign government	193,570	2.0	152,876	1.7
Commercial mortgage back securities	474,305	4.9	177,994	2.0
Residential mortgage backed securities:				
Agency backed	909,779	9.3	1,210,385	13.6
Non-agency backed	4,233	—	61,229	0.7
Collateralized loan / debt obligations	510,922	5.2	484,405	5.4
Asset-backed securities	129,738	1.3	29,710	0.3
Corporate bonds	4,271,630	44.0	4,066,761	45.6
Preferred stocks	777	—	3,985	—
Common stocks	192,627	2.0	215,137	2.4
	$ 9,740,268	100.0%	$ 8,932,147	100.0%

The table below summarizes the credit quality of our fixed maturity securities as of June 30, 2017 and December 31, 2016 , as rated by Standard and Poor's:

	June 30, 2017	December 31, 2016
U.S. Treasury	4.6%	4.5%
AAA	6.8	6.6
AA	29.3	32.6
A	29.4	28.9
BBB, BBB+, BBB-	24.8	24.2
BB, BB+, BB-	1.6	1.9
B, B+, B-	0.5	0.4
Other	3.0	0.9
Total	100.0%	100.0%

As of June 30, 2017 , the weighted average duration of our fixed maturity securities was approximately 4.66 years and had an average yield of 3.1% .

Other investments represented approximately 1.4% and 1.7% of our total investment portfolio as of June 30, 2017 and December 31, 2016 , respectively. At June 30, 2017 , other investments consisted primarily of real estate partnerships totaling $84 million , private limited partnerships totaling $19 million , a syndicated term loan of $16 million , and annuity and other investments totaling $20 million . At December 31, 2016, other investments consisted primarily of real estate partnerships totaling $101 million , private limited partnerships totaling $24 million , a syndicated term loan of $15 million , and annuity and other investments totaling $12 million .

Based on guidance in FASB ASC 320-10-65, in the event of the decline in fair value of a debt security, a holder of that security that does not intend to sell the debt security and for whom it is not more than likely than not that such holder will be required to sell the debt security before recovery of its amortized cost basis, is required to separate the decline in fair value into (a) the amount representing the credit loss and (b) the amount related to other factors. The amount of total decline in fair value related to the credit loss shall be recognized in earnings as an other than temporary impairment ("OTTI"), with the amount related to other factors recognized in accumulated other comprehensive loss, net of tax. OTTI credit losses result in a permanent reduction of the cost basis of the underlying investment. The determination of OTTI is a subjective process, and different judgments and assumptions could affect the timing of the loss realization.

On a quarterly basis, we analyze securities in an unrealized loss position for OTTI. We consider an investment to be impaired when it has been in an unrealized loss position greater than a de minimis threshold for over 12 months, excluding securities backed by the U.S. government (e.g., U.S. treasury securities or agency-backed residential mortgage-backed securities). Additionally, we review whether any of the impaired positions related to securities for which OTTI was previously recognized, and whether we intend to sell any of the securities in an unrealized loss position.

Once we complete the analysis described above, each security is further evaluated to assess whether the decline in the fair value of any investment below its cost basis is deemed other-than-temporary. We consider many factors in completing our quarterly review of securities with unrealized losses for other-than-temporary impairment. For equity securities, we consider the length of time and the extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer, and our intent and ability to retain our investment for a period of time sufficient to allow for any anticipated recovery in fair value. For fixed maturities, we consider, among other things, the length of time and the extent to which the fair value has been less than the amortized cost basis, adverse conditions and near-term prospects for improvement specifically related to the issuer, industry or geographic area, the historical and implied volatility of the fair value of the security, any information obtained from regulators and rating agencies, the issuer's capital strength and the payment structure of the debt security and the likelihood the issuer will be able to make payments in the future (or the historical failure of the issuer to make scheduled interest or principal payments or payment of dividends).

Impairment of investment securities results in a charge to operations when a market decline below cost is deemed to be other-than-temporary. We write down investments immediately that we consider to be impaired based on the above criteria collectively. There were no impairment charges for the three and six months ended June 30, 2017 but we recorded $17 million of OTTI of equity securities during the three and six months ended June 30, 2016.

As of June 30, 2017 , we own corporate bonds in the financial institutions, industrial, and utilities sectors, which account for approximately 20.5% , 29.5% and 4.9% , respectively, and 54.9% in the aggregate of the total fair value of our fixed maturity securities, and 8.6% , 33.0% and 4.0% , respectively, and 45.6% in the aggregate of the total unrealized losses of our fixed maturity securities. We believe that the unrealized losses in these securities are the result, primarily, of general economic conditions and not the condition of the issuers, which we believe are solvent and have the ability to meet their obligations. Therefore, we expect that the market price for these securities should recover within a reasonable time. Additionally, we do not intend to sell the investments and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost basis.

Our investment in marketable equity securities classified as available-for-sale consists of investments in preferred and common stock across a wide range of sectors. We evaluated the near-term prospects for recovery of fair value in relation to the severity and duration of the impairment and have determined in each case that the probability of recovery is reasonable and we have the ability and intent to hold these investments until a recovery of fair value. We believe the gross unrealized losses of $1.0 million as of June 30, 2017 are not material to our financial position.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 2 to the Consolidated Financial Statements, included elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our 2016 Annual Report on Form 10-K described our Quantitative and Qualitative Disclosures about Market Risk. There were no material changes to the assumptions or risks during the six months ended June 30, 2017.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation and under the supervision of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our CEO and CFO have concluded that, as of June 30, 2017 , due to the material weaknesses in internal control over financial reporting that were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 that have not yet been fully remediated as further discussed below, our disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

(b) Internal Control Over Financial Reporting

As disclosed in Part II. Item 9A. "Controls and Procedures" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 , we identified material weaknesses in internal control over financial reporting related to ineffective assessment of the risks of material misstatements in financial reporting and insufficient resources in our corporate accounting and corporate financial reporting groups.

Management believes that our consolidated financial statements included in this Form 10-Q have been prepared in accordance with generally accepted accounting principles. Our CEO and CFO have certified that, based on such officer's knowledge, the financial statements, and other financial information included in this Form 10-Q, fairly present in all material respects our financial condition, results of operations and cash flows as of, and for, the periods presented in this Form 10-Q. In addition, we continue to implement the remediation program for these material weaknesses as disclosed in Part II. Item 9A. "Controls and Procedures" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 , which is described below.

(c) Remediation Actions

Management continues to implement the comprehensive remediation program as disclosed in Part II. Item 9A. “Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 to ensure that control deficiencies contributing to the material weaknesses are remediated such that these controls will operate effectively. During the fiscal quarter ended June 30, 2017 , we continued to strengthen our Finance team by hiring additional personnel and leverage the expertise of our outside consulting firm while we integrate resources with the required skills to enhance our internal controls and documentation.

While management believes that significant progress has been made in enhancing internal controls as of June 30, 2017 , and in the period since, the material weaknesses described in Part II. Item 9A. “Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 have not been fully remediated due to insufficient time to assess the design, fully implement remediation and assess operating effectiveness of the related controls. Management will continue to evaluate and work to improve our disclosure controls and procedures and internal control over financial reporting throughout 2017 and will make any further changes management deems appropriate.

(d) Changes in Internal Control Over Financial Reporting

The remediation efforts related to the material weaknesses described in Part II. Item 9A. “Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and above represent changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2017 , that have materially affected our internal control over financial reporting.

In addition, as a result of the acquisitions of ANV Holding B.V., Republic Companies, Inc., N.V. Nationale Borg-Maatschappij and Genworth Financial Mortgage Insurance Limited (as previously disclosed) and the first quarter 2017 acquisition of AHC Insurance Company (formerly named AmeriHealth Casualty Insurance Company), there were changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Such changes related to these acquisitions included implementing procedures to integrate existing systems and convert the financial results of these acquisitions from other generally accepted accounting principles to U.S. GAAP. We are continuing to augment our existing controls and resources to appropriately manage the risks inherent in acquisitions of this magnitude and complexity.

Except as described above, there were no other changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Information required for Part II, Item 1 is incorporated by reference to the discussion under the heading "Litigation" in Note 13. "Commitments and Contingencies" to the consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

"Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2016 includes a discussion of our risk factors. Except as reported in Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, there have been no material changes to the risk factors described in our Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K (No. 001-33143) filed on May 18, 2017).
10.1*	Form of Restricted Stock Unit Agreement, amended and restated effective May 18, 2017 (filed herewith).
10.2	Common Stock Purchase Agreement, dated May 25, 2017, by and among the Company and each of the Purchasers listed on Exhibit A thereto (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K (No. 001-33143) filed on May 25, 2017).
10.3	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K (No. 001-33143) filed on May 25, 2017).
10.4*	Amended and Restated Employment Agreement, dated June 13, 2017, by and between AmTrust Financial Services, Inc. and Ronald E. Pipoly, Jr. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K (No. 001-33143) filed on June 13, 2017).
10.5	Letter Agreement dated June 28, 2017, related to Term Promissory Note, dated April 18, 2016, issued by the Company in favor of Delek Finance US Inc. (filed herewith).
10.6^	Aggregate Reinsurance Agreement, effective June 30, 2017, by and between AmTrust International Insurance Ltd., Technology Insurance Company, Wesco Insurance Company and Premia Reinsurance Ltd. (filed herewith).
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the quarter ended June 30, 2017 (filed herewith).
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the quarter ended June 30, 2017 (filed herewith).
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, for the quarter ended June 30, 2017 (furnished herewith).
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, for the quarter ended June 30, 2017 (furnished herewith).
101.1	The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at June 30, 2017 and December 31, 2016; (ii) the Consolidated Statements of Income for the three and six months ended June 30, 2017 and 2016; (iii) the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016; (iv) the Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016; and (v) the Notes to Unaudited Consolidated Financial Statements.

* Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the Company may be participants.

^ Certain portions of this exhibit have been redacted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

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: August 9, 2017

/s/ Barry D. Zyskind
Barry D. Zyskind
Chairman, President and Chief Executive Officer

/s/ Adam Karkowsky
Adam Karkowsky
Chief Financial Officer

AMTRUST FINANCIAL SERVICES, INC.
2010 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

AmTrust Financial Services, Inc., a Delaware corporation, (the " ***Company*** "), hereby grants restricted stock units (" ***RSUs*** ") relating to shares of its common stock, $.01 par value (the " ***Stock*** "), to the individual named below as the Grantee (" ***you*** ", or the " ***Grantee*** "), subject to the vesting conditions set forth in this Agreement. This grant is subject to the terms and conditions set forth in (i) this Agreement, and (ii) the 2010 Omnibus Incentive Plan (the " ***Plan*** "). Unless otherwise defined herein, capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.

Award of RSUs

You have been granted ________ RSUs, subject to the terms and conditions of this Agreement and the Plan.

Grant Date

The effective date of this grant of RSUs is _______ ____, 20__ (" ***Grant Date*** ").

Vesting Schedule

The RSUs shall vest in four equal installments of 25% on each of the first, second, third and fourth anniversaries of the Grant Date, provided you remain in Service (as defined below) on the vesting date.

" ***Service*** " means that you are currently an employee of the Company or an Affiliate, are a member of the Company's Board of Directors, or are otherwise providing services to the Company or an Affiliate.

RSU Transferability

RSUs may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the RSUs be made subject to execution, attachment or similar process.

Forfeiture of Unvested RSUs

Except as specifically provided in this Agreement or as may be provided in other agreements between you and the Company, no additional RSUs will vest after your Service has terminated for any reason and you will forfeit to the Company all of the RSUs that have not yet vested or with respect to which all applicable restrictions and conditions have not lapsed.

Retirement

If your Service terminates because of your Orderly Retirement (as defined below), the RSUs granted under this Agreement will continue to vest in equal installments on each of the remaining vesting dates in accordance with the vesting schedule set forth above.

For purposes of this Agreement, " ***Orderly Retirement*** " shall mean the voluntary termination of your employment with the Company and its Affiliates, provided that:

(i) as of the date of such termination, (a) you are at least 55 years of age and have been employed by the Company for at least 10 years, or (b) you are at least 65 years of age and have been employed by the Company for at least 5 years;

(ii) you have notified the Company in writing (a) not less than 12 months in advance of the effective date of termination of your employment if you are at least 55 years of age, or (b) not less than 6 months in advance of the effective date of termination of your employment if you are at least 65 years of age; and

(iii) the Committee (or its delegate), in its discretion, has approved the termination of your employment as an Orderly Retirement, based upon such factors as it shall consider appropriate, which may include (but shall not be limited to) the existence of an approved succession plan for your position, and your compliance (and expected future compliance) with the restrictive covenants set forth in this Agreement and/or the Plan.

Death

If your Service terminates because of your death, or if you die following your Orderly Retirement and prior to the full vesting of the RSUs, all of the outstanding unvested RSUs granted under this Agreement will automatically vest, effective as of the date of your death.

Disability

If your Service terminates because of your Disability (as defined below), all of the outstanding unvested RSUs granted under this Agreement will automatically vest, effective as of the date of your Disability.

For purposes of this Agreement, " ***Disability*** " shall mean that the Grantee is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits (for a period of not less than 3 months) under a long-term disability plan of the Company or an Affiliate.

Termination for Cause

If your Service is terminated for Cause (as defined below), then you shall immediately forfeit all rights to your vested (but undelivered) and unvested RSUs and this award shall immediately terminate.

For purposes of this Agreement, " ***Cause*** " shall mean (a) willful misconduct or gross negligence; (b) a plea of guilty or conviction of a felony or a crime involving moral turpitude; (c) any act constituting fraud or the misappropriation or embezzlement of money or other property of the Company; and (d) any

willful act or course of conduct constituting an abuse of office or authority which has a material adverse impact on the Company's reputation or financial condition.

Termination without Cause within 12 Months of Change in Control

If your Service is terminated by the Company without Cause within 12 months following the effective date of a "Change in Control," the Board or the Committee, in its discretion, may accelerate the vesting of all or any portion of this award of RSUs. Further, in the event that a Change in Control that also constitutes a "change in control event" (within the meaning of Treasury Regulation § 1.409A-3(i)(5)) occurs following your Orderly Retirement and prior to the full vesting of the RSUs, the Board or the Committee, in its discretion, may accelerate the vesting and payment of all of the outstanding unvested RSUs granted under this Agreement, to a time otherwise permitted under Section 409A of the Code, in accordance with the requirements, restrictions and limitations of Treasury Regulation § 1.409A-3(j).

For purposes of this Agreement: " ***Change in Control*** " shall mean:

(i) any "person" (as such term is used in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the " ***Exchange Act*** "), including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act) other than Barry Zyskind, George Karfunkel, Leah Karfunkel, any of their spouses or lineal descendants, any trust or charitable foundation controlled by any of them or their lineal descendants, any subsidiary or any employee benefit plan of the Company or a subsidiary or former subsidiary, is or becomes a beneficial owner, directly or indirectly, of stock of the Company representing 50% of more of the total voting power of the Company's then outstanding stock;

(ii) a tender offer (for which a filing has been made with the Securities and Exchange Commission (the " ***SEC*** ") that purports to comply with the requirements of Section 14(d) of the Exchange Act, and the corresponding SEC rules) is made for the stock of the Company. In case of a tender offer described in this paragraph (ii), the "Change in Control" will be deemed to have occurred any time during the offer when the person (using the definition in (i) above) making the offer owns or has accepted for payment stock of the Company with 50% or more of the total voting power of the Company's outstanding stock; or

(iii) individuals who were the Board's nominees for election as directors of the Company immediately prior to a meeting of the stockholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board following the election.

Share Delivery Pursuant to Vested Units; Withholding Tax

On the vesting date (or as soon as practicable thereafter but in no event after the later of (i) the last day of the calendar year in which the shares vest, or (ii) the date that is 2½ months after the applicable vesting date), at the Company's option, (a) a brokerage account in your name will be credited with Stock representing the number of shares that vested under this grant (the " ***Vesting Shares*** "), or (b) the Company shall physically deliver the Vesting Shares. If the vesting date is not a trading day, the Stock will be delivered on the next trading day.

The Company will determine the number of the Vesting Shares necessary to cover the statutory minimum amount (or such other amount determined by the Company as will not cause a negative accounting impact to the Company) of federal, state, local, and foreign taxes that the Company is

required to withhold with respect to the delivery of the Vesting Shares, rounding up to the nearest whole Share of Stock (the " ***Withholding Shares*** "). By accepting this award of RSUs, you irrevocably authorize and direct the Company to withhold the Withholding Shares from the Vesting Shares at the time of delivery thereof to be used to fund the payment of the withholding taxes and instruct the Company to deliver the remaining Vesting Shares to your account.

If the Company or any Affiliate is required to withhold any federal, state, local or foreign taxes at any time other than upon delivery of Stock under this Agreement, then the Company or Affiliate (as applicable) shall have the right in its sole discretion to (i) require the Grantee to pay or provide for payment of the required tax withholding, or (ii) deduct the required tax withholding from any amount of salary, bonus, incentive compensation or other amounts otherwise payable in cash to the Grantee (other than deferred compensation subject to Section 409A of the Code).

Notwithstanding any other provision of this Agreement to the contrary, if, at the time of the Grantee's separation from service (within the meaning of Section 409A of the Code), (i) the Grantee is a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time), and (ii) the Company makes a good faith determination that the RSUs constitute deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code, in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not deliver the Stock underlying the vested RSUs on the otherwise scheduled payment date, but such Stock shall instead be delivered on the first business day of the seventh month after such six-month period.

The purchase price for the vested Stock is deemed paid by your prior services to the Company.

Withholding shall only be applicable to employees of the Company.

Forfeiture and Recapture Rights Under Section 10 of the Plan

By accepting this award of RSUs, you acknowledge and agree that the RSUs and the Award Gain (as defined in Section 10 of the Plan) with respect to any Stock delivered hereunder shall be subject to forfeiture and repayment to the Company as provided in Section 10 of the Plan upon the occurrence of a Forfeiture Event (as defined therein), including any violation of the non-competition, non-solicitation or non-disclosure restrictions set out in Section 10 of the Plan. The provisions of this paragraph and of Section 10 of the Plan shall survive and continue in full force in accordance with their terms notwithstanding any termination of your Service for any reason or the delivery of any Stock pursuant to the RSUs as provided herein.

No Right to Employment

Neither your RSUs nor this Agreement give you the right to be retained by the Company in any capacity and your Service may be terminated at any time and for any reason.

No Shareholder Rights

You have no rights as a shareholder unless and until the Stock relating to the RSUs has been issued to you (or an appropriate book entry has been made). You will not be entitled to receive any dividends or dividend equivalent payments with respect to the RSUs.

Applicable Law

This Agreement shall be governed by the laws of the State of New York, with consent to jurisdiction by you in the State of New York or the U.S. District Court for the Southern District of New York.

Adjustments

The number and kind of shares of Stock deliverable pursuant to the RSUs are subject to adjustment as provided in Section 11(c) of the Plan.

Data Privacy

To administer the Plan, the Company may process personal data about you. Such data includes the information provided in this Agreement, other appropriate personal and financial data about you such as home address and business addresses and other contact information, payroll information and any other information deemed appropriate by the Company to facilitate the administration of the Plan.

By accepting this award, you consent to the Company's processing of such personal data and the transfer of such data outside the country in which you work or are employed, including, with respect to non-U.S. residents, to the United States, to transferees who shall include the Company and other persons designated by the Company to administer the Plan.

Consent to Electronic Delivery

Certain statutory materials relating to the Plan may be delivered to you in electronic form. By accepting this grant, you consent to electronic delivery and acknowledge receipt of these materials, including the Plan and the Plan prospectus.

This Agreement is not a stock certificate or a negotiable instrument.

By accepting your grant, you agree to the terms and conditions in this Agreement and in the Plan, and agree that the Plan will control in the event any provision of this Agreement should appear to be inconsistent with the terms and conditions of the Plan. In particular, and without limiting the foregoing:

- ***You acknowledge that you have read and agree to the forfeiture and repayment provisions of Section 10 of the Plan (the "Restrictive Covenants").***
- ***You understand that as a condition to your right to realize and retain value from your award of RSUs under this Agreement, you must comply with the terms and conditions of the Restrictive Covenants.***
- ***You agree to timely notify the Company in writing if you have, or reasonably should have, any questions regarding the applicability of the Restrictive Covenants.***

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year below .

AMTRUST FINANCIAL SERVICES, INC.

__________________________________ Date: __________________________
By: Stephen B. Ungar
Its: General Counsel and Secretary

GRANTEE

__________________________________ Date:___________________________
Name:

Exhibit 10.5

June 28, 2017

Delek Group, Ltd.
19, Abba Eban Blvd. P.O.B. 2054
Herzliya 4612001, Israel
Attn: Leora Pratt Levin
Vice President & General Counsel

Re: Prepayment of Term Promissory Note

Dear Ms. Levin:

Reference is made to that certain $104,685,468.75 Term Promissory Note (the "Note") dated April 18, 2016 of AmTrust Financial Services, Inc., a Delaware corporation (the "Company"), payable to the order of Delek Finance US Inc., a Delaware corporation, which transferred the Note to Delek Group, Ltd. (the "Holder") in accordance with the terms of the Note. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Note.

As of the date hereof, the outstanding principal balance of the Note is $78,514,101.57. The next Payment Date under the Note is April 18, 2018, at which time a principal installment of $26,171,367.18 (the "April 2018 Principal Installment") will be due and payable.

In lieu of making the April 2018 Principal Installment on or before April 18, 2018, the Company instead proposes to prepay the April 2018 Principal Installment on or before June 30, 2017 by payment of an amount (the "Prepayment") equal to the sum of (a) 99% of the April 2018 Principal Installment, which shall be an amount equal to $25,909,653.51, and (b) the accrued and unpaid interest under the Note as of such Prepayment date. The Holder hereby agrees to accept the Prepayment in lieu of the April 2018 Principal Installment and agrees that after giving effect to the Prepayment, the outstanding principal balance of the Note will be $52,342,734.39.

If the Company makes the Prepayment on or before June 30, 2017, the next Payment Date at which principal under the Note shall be due and payable is April 18, 2019.

This letter agreement is subject to Section 8(f) (Governing Law; Submission to Jurisdiction; Waiver of Jury Trial) and Section 8(j) (Counterparts; Integration; Effectiveness) of the Note, which Sections are incorporated herein by reference.

Please indicate your consent and agreement to the foregoing by countersigning a copy of this letter agreement and returning it to the undersigned.

Regards,

AMTRUST FINANCIAL SERVICES, INC.

By /s/ Harry Schlachter
Name: Harry Schlachter
Title: SVP, Assistant Treasurer

Consented and agreed to as the date first above written.

DELEK GROUP LTD.

By /s/ Asaf Bartfeld
Name: Asaf Bartfeld
Title: Chief Executive Officer

By /s/ Ido Adar
Name: Ido Adar
Title: Treasurer

[Signature Page to Letter Agreement re Note Prepayment]

Exhibit 10.6

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT THE CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT, AND THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION: [***]

AGGREGATE REINSURANCE AGREEMENT

(the " Agreement ")

between

AMTRUST INTERNATIONAL INSURANCE LTD .
a Bermuda insurance company

TECHNOLOGY INSURANCE COMPANY
a Delaware insurance company

WESCO INSURANCE COMPANY
a Delaware insurance company

(collectively, the " Company ")

and

PREMIA REINSURANCE LTD.
a Bermuda insurance company
(the " Reinsurer ")

W I T N E S S E T H:

WHEREAS , the Company desires to cede, and Reinsurer desires to accept, excess of the Retention, certain business written and earned by the Company subject to the terms and conditions contained in this Agreement;

NOW, THEREFORE , in consideration of the mutual promises and agreements contained herein, for good and valuable consideration, the adequacy of which is hereby acknowledged, the Company and the Reinsurer (collectively, the " Parties "), intending to be bound in contract, hereby agree as follows:

ARTICLE 1
DEFINITIONS

Except as the context shall otherwise require, the following terms shall have the following meanings for all purposes of this Agreement (the definitions to be applicable to both the singular and the plural forms of each term defined if both forms of such term are used in this Agreement):

" Allocated Loss Adjustment Expenses " means all reasonable costs and expenses incurred by the Reinsured Group allocated to an occurrence or claim made under or in connection with a Policy in

the investigation, adjustment, settlement, litigation, defense, or appeal thereof, which shall include without limitation (a) outside retained adjusters' fees; (b) attorneys', experts' and consultants' fees in connection with coverage investigation or analysis and/or actual, anticipated or threatened actions, suits or proceedings, whether declaratory, coercive or otherwise, including fees of staff counsel expressly charged with performing functions generally performed by outside counsel; (c) costs levied in any claim, suit or proceeding; (d) pre-judgment interest; (e) interest accruing after entry of judgment; (f) expenses incurred in pursuing salvage, subrogation, contribution or indemnity; and (g) internal costs and expenses directly attributable to the handling of a claim file arising from the Covered Business. Allocated Loss Adjustment Expenses shall not include other overhead and office expenses of the Reinsured Group.

" Assumption Conditions " has the meaning set forth in Article 11.

" Books and Records " means originals or copies of all records and all other data and information (in whatever form maintained) in the possession or control of the Reinsured Group and relating to the Subject Business, including (i) administrative records, (ii) claim records, (iii) Policy files, (iv) sales records, (v) reinsurance records, (vi) underwriting records, and (vii) accounting records, but excluding any (a) tax returns and tax records and all other data and information with respect to tax, and (b) files, records, data and information with respect to Reinsured Group employees; *provided* , that if any such records or data referred to in the foregoing clauses (i) through (vi) contain information which does not relate to the Subject Business such information shall not constitute Books and Records for purposes of this Agreement; *provided* , that notwithstanding the foregoing, the Reinsurer shall have the right to review Books and Records related to claims that do not relate to the Subject Business to the extent that such claims relate to a policyholder of a Policy included within the Subject Business, but only to the extent relevant to the Reinsurer's exercise of its association, consultation or dispute rights hereunder.

" Business Day " means any day other than a Saturday, Sunday or day on which commercial banks in Hamilton, Bermuda or New York, New York are required or authorized by law to be closed.

" Claim Authority " has the meaning set forth in Article 17.

" Confidential Information " has the meaning set forth in Article 31-A.

" Covered Business " means all occurrences or claims made prior to April 1 , 2017 not previously paid and under any policy, contract, slip, binder or other evidence of insurance written and earned or assumed and earned by the Reinsured Group prior to April 1, 2017, net of Inuring Reinsurance that may accrue to the Reinsured Group, and in excess of the Retention.

" Currency Bands " means if the actual exchange rate exceeds one Euro to 1.85 United States Dollars or one British Pound to 2.48 United States Dollars when non-dollar denominated Subject Business losses and costs are paid and recorded on the Books and Records of the Reinsured Group then the losses and costs ceded hereunder shall be limited to one Euro equals 1.85 United States Dollars or one British Pound equals 2.48 United States Dollars, as the case may be, for those losses so recorded.

" Dispute " has the meaning set forth in Article 23.

“ Effective Date ” means June 30, 2017.

“ Excess ECO Payments ” means, with respect to any Policy, the excess, if any, of (a) Losses paid on or after April 1, 2017 plus Extra Contractual Obligations (net of all recoveries, salvages and/or subrogation actually recovered and all Inuring Reinsurance recoverable therefor, whether collected or not) incurred and paid on or after April 1, 2017 over (b) the available limit of liability under such Policy.

“ Extra Contractual Obligations ” means:

(i) any settlement, judgment or award against the Reinsured Group in respect of indemnity of an Insured or in favor of any other claimant for liability that is not within the terms or conditions of any contract of insurance or reinsurance issued by the Reinsured Group (including in excess of limits of liability under such Policy) arising out of Subject Business;

(ii) any liability arising out of or in connection with any Policy whether in relation to claims handling or otherwise (including, without limitation, any settlement, judgment or award against the Reinsured Group) for any amount that is not within the terms or conditions of the Policy (including in excess of policy limits liability commonly referred to as XPL) in favor of an Insured or in favor of any other claimant in connection with a Policy arising out of Subject Business; and

(iii) without limiting the foregoing, includes any liability imposed on the Reinsured Group arising out of Subject Business to an Insured or any other claimant as a result of a judgment, settlement, arbitration award or otherwise, where such liability has arisen because of the failure of an Insured or the Reinsured Group to agree to pay a claim within the policy limits or to provide a defense against such claims as required by law, or bad faith or negligence by the Reinsured Group or an Insured in investigating or handling a claim or in rejecting an offer of settlement.

“ Insured ” means an individual or entity to whom a Policy is issued.

“ Inuring Reinsurance ” means any and all reinsurance other than this Agreement purchased by the Reinsured Group to protect the Subject Business as in effect as of March 31, 2017, whether or not collected by the Reinsured Group. All Inuring Reinsurance in place as of March 31, 2017 shall be deemed in place thereafter and shall apply whether or not billed or collected by the Reinsured Group.

“ Level 1 Triggering Event ” means the Reinsurer’s capital and surplus declines to a level less than 75% of its capital and surplus as of March 31, 2017 and remains below such threshold for at least 120 consecutive days.

“ Level 2 Triggering Event ” means (i) the Reinsurer becomes insolvent, is placed in, or under, supervision, conservation, rehabilitation or insolvent liquidation or has a receiver appointed, (ii) the Reinsurer’s capital and surplus declines to a level less than 50% of its capital and surplus as of March 31, 2017 and remains below such threshold for at least 120 consecutive days, or (iii) the Reinsurer loses or suffers a suspension of its principal operating license without such license being restored within thirty (30) Business Days of such loss or suspension.

“ Limit ” has the meaning set forth in Article 8.

“ Loss ” means the actual amounts paid by the Reinsured Group on Subject Business, other than obligations for Allocated Loss Adjustment Expenses, after deductions for all recoveries, salvages and/or subrogation actually recovered and all Inuring Reinsurance recoverable, whether collected or not.

“ Permitted Assets ” has the meaning set forth in Schedule I attached hereto.

“ Policy ” means a binder, certificate, policy, treaty or other written evidence of insurance that is Subject Business.

“ Premium ” has the meaning set forth in Article 9.

“ Qualifying Assets ” has the meaning set forth in Schedule I attached hereto.

“ Reinsured Group ” means AmTrust Financial Services, Inc. and all its wholly-owned subsidiaries as of April 1, 2017, including their respective predecessors. Where appropriate in the context of this Agreement, “Reinsured Group” means any single entity in the Reinsured Group.

“ Retention ” has the meaning set forth in Article 8.

“ Runoff ” means the Reinsured Group has announced that the Reinsured Group as a whole is no longer writing new business and the Reinsured Group’s gross written premium in the preceding 12-month period has fallen to less than twenty-five percent (25%) of its gross written premium for the 12 months ended March 31, 2017.

“ Steering Committee ” has the meaning set forth in Article 23.

“ Subject Business ” means all occurrences or claims made prior to April 1, 2017 not previously paid under any policy, contract, slip, binder or other evidence of insurance written and earned or assumed and earned by the Reinsured Group prior to April 1, 2017, net of Inuring Reinsurance that may accrue to the Reinsured Group, whether below or in excess of the Retention.

“ Term ” means the period between the Effective Date and the termination of this Agreement under Article 5.

“ Trust Account ” has the meaning set forth in Article 15.

“ Trust Agreement ” means each agreement among a Company, the Reinsurer and the Trustee, pursuant to which the Trust Account hereunder is established.

“ Trustee ” means the Bank of New York Mellon or J.P. Morgan Chase, as agreed by the Parties promptly following the Effective Date, or any successor trustee appointed pursuant to the terms of the Trust Agreement, which shall in any case be a member of the Federal Reserve System and shall not be a parent, subsidiary or other affiliate of the Company or the Reinsurer.

“ Unallocated Loss Adjustment Expenses ” or “ ULAE ” means the underwriting and administrative costs of the Reinsured Group incurred and paid on or after April 1, 2017 that are not allocated to an occurrence or claim made under or in connection with a Policy in the investigation, adjustment, settlement, litigation, defense, or appeal of a specific claim including, but not limited to,

(a) overhead and office expenses of the Reinsured Group; and (b) salaries, benefits or expenses of the Reinsured Group's employees that are not Allocated Loss Adjustment Expense.

" Ultimate Net Loss " means the total sum of Loss, Allocated Loss Adjustment Expense, Unallocated Loss Adjustment Expense and Extra Contractual Obligations (other than Excess ECO Payments exceeding $30,000,000 in the aggregate) paid by the Reinsured Group less all recoveries, salvages and/or subrogation actually recovered and all Inuring Reinsurance recoverable, whether collected or not, arising out of the Subject Business.

ARTICLE 2
COVERED LOSSES

This Agreement is to pay the Company for Ultimate Net Loss in excess of the Retention arising under the Subject Business.

ARTICLE 3
ORIGINAL CONDITIONS / FOLLOW THE FORTUNES

Except as otherwise provided herein, the Reinsurer's obligation to indemnify the Company shall be subject to the same rates, terms, conditions, waivers and interpretations, and to the same modifications, cancellations and alterations, as the respective Policies. The Reinsurer shall in every case to which this Agreement applies follow the fortunes of the Company, subject always to the terms, conditions and limitations of this Agreement.

ARTICLE 4

TERRITORY

The territorial limits of this Agreement shall be identical to that of the Subject Business.

ARTICLE 5

TERM AND TERMINATION

This Agreement shall be effective as of the Effective Date. This Agreement shall remain continuously in force until such time as the Reinsurer's liability with respect to all liabilities reinsured hereunder terminates, which will be the earlier of (1) the date that the Reinsured Group's liabilities reinsured hereunder are terminated and all amounts due to the Reinsured Group under this Agreement have been paid, and (2) the date that the Reinsurer has paid an aggregate net amount in respect of Ultimate Net Loss equal to the Limit.

ARTICLE 6

ENHANCED COLLATERAL

Within ten (10) days after any Level 1 Triggering Event or Level 2 Triggering Event, the Company may require the Reinsurer to provide additional security, either in the form of a letter of credit or

additional assets held in the Trust Account to credit enhance its position hereunder. In case of a Level 1 Triggering Event, such additional security would be required to bring the total collateral held for the benefit of the Company to 110% of the amount of loss reserves then ceded to the Reinsurer per the most recent quarterly report less any payments thereafter, and in case of a Level 2 Triggering Event, such additional security would be required to bring the total collateral held for the benefit of the Company to 125% of the amount of loss reserves then ceded to the Reinsurer per the most recent quarterly report less any payments thereafter. In no event shall the Reinsurer be required to provide additional collateral to the extent that the sum of all Permitted Assets in the Trust Account and/or letters of credit then posted by the Reinsurer in favor of the Company, plus Ultimate Net Loss previously paid by the Reinsurer, exceeds the Limit. Any letter of credit provided hereunder must be from a financial institution that has a long-term debt rating of A or better by S&P or Moody's.

ARTICLE 7

EXCLUDED BUSINESS

The Reinsurer shall not be liable under this Agreement for:

a) any liability arising out of any Policy or other evidence of insurance written or assumed on or after April 1, 2017, or any part of any Policy earned on or after April 1, 2017;

b) any liability of the Reinsured Group to pay taxes or assessments, whether such have been paid or were directly paid by the Company or through any member of the Reinsured Group or through a policyholder or other insured, regardless of whether such tax is denominated as income tax, excise tax, premium tax, surplus lines tax or any other tax assessment;

c) any Liability for Unallocated Loss Adjustment Expense (ULAE) paid on or after April 1, 2017 in excess of $206 million, being the carried ULAE as of April 1, 2017. This ULAE amount cannot be exceeded when determining the sum of the ULAE paid both below and above the Retention;

d) any amounts payable by reinsurers under Inuring Reinsurance, whether or not billed or collected;

e) any liability for Excess ECO Payments in excess of $30,000,000 in the aggregate.

f) any liability of the Reinsured Group for retrospective premium;

g) any liability of any divested Reinsured Group member immediately following the date of such divesture, except to the extent such liability is assumed by the Reinsured Group or a wholly-owned subsidiary of AmTrust Financial Services, Inc. acquired after the Effective Date;

h) any liability of any company that became a subsidiary of AmTrust Financial Services, Inc. on or after April 1, 2017, or any liability assumed by the Reinsured Group on or

after April 1, 2017 that was not a liability of the Reinsured Group as of March 31, 2017; and

i) any amounts paid by the Reinsured Group prior to April 1, 2017.

ARTICLE 8

LIMIT OF LIABILITY

A. The Company, on behalf of the Reinsured Group, shall retain an amount of Ultimate Net Loss of five billion, nine hundred sixty-three million dollars ($5.963 billion) (the " Retention "), and the Reinsurer shall have no liability whatsoever for any Ultimate Net Loss within the Retention.

B. Subject to the terms of this Agreement, the Reinsurer agrees to pay the Company up to one billion, twenty-five million dollars ($1.025 billion) (the " Limit ") for Ultimate Net Loss arising from Covered Business in excess of the Retention.

C. **Notwithstanding anything herein that may be misconstrued to the contrary, under no circumstances shall the Reinsurer be obligated to pay or in fact pay any amount (exclusive of interest amounts on delayed payments) in excess of one billion, twenty-five million dollars ($1.025 billion) under this Agreement.**

ARTICLE 9

PREMIUM

A. Premium

The Company will pay the Reinsurer six hundred seventy-five million dollars ($675 million) (the " Premium ") in connection with the reinsurance hereunder. Such payment shall be satisfied by deposit by the Company of cash or other Qualifying Assets, as determined by the Company, into the Trust Account. If such payment is made later than ten (10) days following the Effective Date, then the Company shall also deposit into the Trust Account additional cash or Qualifying Assets in an amount equal to interest on the unpaid Premium from July 1, 2017 to the date of deposit, calculated at a rate of 3.75% per annum. The Company shall use commercially reasonable efforts to fund at least fifty percent (50%) of the Premium, with interest, within sixty (60) days following the Effective Date, and in any event the Company shall fully fund the Premium, with interest as applicable, not later than 180 days following the Effective Date. It shall be a condition precedent to the Reinsurer's liability hereunder that the Premium shall have been fully funded.

B. Any interest amounts payable under this Article shall be calculated as 1/365 th of the specified interest annual rate, multiplied by the number of days elapsed from and including July 1, 2017 to but excluding date of deposit of the relevant cash or Qualifying Assets, multiplied by the unpaid amount.

ARTICLE 10

RETENTION

The Company shall retain and pay five billion, nine hundred sixty-three million dollars ($5.963 billion) in Ultimate Net Loss with respect to the Subject Business before the Reinsurer's obligation to pay any amounts to the Company with respect to the Reinsured Group arises under this Agreement.

ARTICLE 11

CLAIMS ADMINISTRATION

While the Company will retain Claim Authority pursuant to Article 17, the Parties desire to work together with respect to the administration of the Subject Business. The Reinsured Group shall give the Reinsurer, or its wholly-owned subsidiaries or affiliates, the right of first refusal (" ROFR ") on any material third-party claims administration services relating to the Subject Business that it outsources during the term of this Agreement, other than (i) claims administration services performed by third parties as of March 31, 2017, (ii) claims administration services that an Insured or other third party is contractually entitled to perform under the terms of a Policy or other agreement with the Reinsured Group, and (iii) consulting or advisory services procured from third parties with specialized expertise; *provided* that the Reinsurer shall have demonstrated to the reasonable satisfaction of the Company that the Reinsurer, or the applicable subsidiary, affiliate, agent or contractor proposed by the Reinsurer to perform such claims administration services, has the skill, resources and knowledge required to provide the applicable claims administration services in accordance with the terms of the applicable Policies, in compliance with applicable law, and at a level of performance no lower than the service standards historically applied by the Reinsured Group in performing such services for its own account (the " Assumption Conditions "); *provided* , *further* , that the Reinsurer shall not engage any unaffiliated third party to perform such claims administration services without the prior written consent of the Company (such consent not to be unreasonably withheld, conditioned or delayed). The Company shall pay to the Reinsurer a claims administration monitoring fee of $1,000,000 annually, first payable on July 15, 2017 and on each July 15 thereafter, but in no event for more than thirty (30) such annual payments. The Company's obligation to pay such claims administration monitoring fee shall terminate upon the first to occur of (x) payment of the thirtieth (30th) such annual payment by the Company, (y) the date on which the Reinsurer (on its own behalf or through its designated agent or contractor) assumes claims handling services with respect to the Covered Business (pursuant to Article 13 or otherwise) and (z) the date that the Reinsurer has paid an aggregate net amount in respect of Ultimate Net Loss equal to the Limit.

ARTICLE 12

ACCOUNTING

Each Party has independently determined that the reinsurance provided under this Agreement meets applicable risk transfer requirements and is properly accounted for on its financial reports as reinsurance for financial reporting purposes, and hereby agrees that, except as may otherwise be

required by statutory accounting principles (SAP), GAAP or applicable law following the date hereof, it shall account for such transaction accordingly.

ARTICLE 13

RIGHT OF ASSOCIATION

The Company in its full discretion shall investigate, defend, and resolve claims or proceedings relating to the Subject Business. Without prejudice to the foregoing and to Article 3 of this Agreement, while the Reinsurer does not undertake to investigate or defend claims or proceedings, it shall nevertheless have the right and be given the opportunity, at its request and with the full cooperation of the Company, to appoint representatives at its own expense and to become associated with the Company and the Company's representatives in the investigation or control of any claims or proceedings covered by this Agreement.

a. At all times, Reinsurer will have the right to associate in any claim subject to this Agreement at its own expense and in a manner to be mutually agreed to by the Parties in good faith, but the Reinsurer's general right to associate shall not trigger any additional claim reporting obligations for the Reinsured Group beyond those in this Agreement.

b. In addition to Reinsurer's audit and access rights, the Company will make its claims and related managerial personnel available at the reasonable request of Reinsurer to review and discuss strategy and management of the Reinsured Group's claims operation.

c. In addition to the Company's reporting obligations under Article 14, the Company will provide such other information and reports related to the Reinsured Group's claims operation to the Reinsurer as reasonably requested, to the extent such reports are prepared by the Reinsured Group in the ordinary course of business.

d. In the event that the Reinsured Group goes into Runoff or paid losses ceded by the Company to the Reinsurer exceed six hundred twenty-five million dollars ($625,000,000) (the " Threshold ") on or before January 1, 2025, the Reinsurer, on its own behalf or through its designated agent or contractor, shall have the right (but not the obligation) to assume claims handling services with respect to the Covered Business upon written notice to the Company delivered within sixty (60) days of the Reinsurer becoming aware that the Reinsured Group has gone into Runoff or paid losses have reached the Threshold, as the case may be, *provided* , *however* , that the Company shall retain claims handling services with respect to the Covered Business if, within thirty (30) days following receipt of such notice from the Reinsurer, the Company delivers written notice to the Reinsurer of its intent to retain such claims handling services. In the event of such determination to retain claims handling services, the Company shall pay the Reinsurer a claims administration retention fee in the amount of one million dollars ($1,000,000) annually, first payable within thirty (30) days after the Company delivers notice of its intention to retain claims handling services, and payable July 15 of each subsequent calendar year, but in no event for

more than ten (10) such annual payments. The Company's obligation to pay such claims administration retention fee shall terminate upon the first to occur of (x) payment of the tenth (10th) such annual payment by the Company, (y) the Reinsurer or its designated agent or contractor having assumed claims handling services in respect of the Subject Business and (z) the date that the Reinsurer has paid an aggregate net amount in respect of Ultimate Net Loss equal to the Limit. If the Reinsurer or its designated agent or contractor assume responsibility for claims handling services, the Parties will promptly agree the terms of such claim handling services, but the Reinsurer shall be paid annually no less than the preceding three-year average of the cost to administer such business.

e. Notwithstanding the foregoing, (i) the right of the Reinsurer to assume claims handling services with respect to the Covered Business is subject to the Reinsurer, or the applicable agent or contractor proposed by the Reinsurer to perform such claims handling services, having demonstrated to the reasonable satisfaction of the Company that it will administer the Covered Business in accordance with the Assumption Conditions, (ii) the Reinsurer shall not engage any unaffiliated third party to perform such claims handling services without the prior written consent of the Company (such consent not to be unreasonably withheld, conditioned or delayed), and (iii) the Reinsured Group shall not be obligated to terminate or breach any agreement with respect to the provision of claims administration services with respect to the Covered Business that is in force at the time the Company delivers notice of its intention to assume claims handling services.

ARTICLE 14

REPORTS AND REMITTANCES

Within sixty (60) days of the end of each calendar quarter, the Company shall provide the Reinsurer with a report in respect of the Subject Business. The specific content and format of this report shall be mutually agreed within ninety (90) days of the Effective Date. At a minimum, the report shall include the following quarterly information with respect to the Subject Business:

a. Gross and net paid Loss, Allocated Loss Adjustment Expense and ULAE;

b. Gross and net outstanding (case and IBNR) Loss, Allocated Loss Adjustment Expense and ULAE;

c. Applicable reinsurance, subrogation, salvage or other recoveries;

d. Any additional premium;

e. The Company's cumulative net paid for the Subject Business since April 1, 2017;

f. Any reserves ceded by the Company in excess of the Retention;

g. Any Ultimate Net Loss in excess of the Retention; and

h. Any amounts withdrawn by the Reinsured Group from the Trust Account.

Any balance due to the Reinsurer shall be remitted by the Company along with the quarterly report. Any balance due to the Company shall be remitted by the Reinsurer within forty-five (45) days of receipt of the quarterly report. For the avoidance of doubt, the Reinsurer's liability hereunder may be satisfied by withdrawals by the Company from the Trust Account as permitted by the Trust Agreement, and the Reinsurer shall have no obligation to pay settlements hereunder to the extent of amounts so withdrawn. Notwithstanding any other provision of this Agreement, but without limiting the obligation of the Reinsurer to provide collateral as set forth in Article 15, in no event shall the Reinsurer be obligated to settle balances due hereunder directly with the Company until the Trust Account is fully depleted, and in no event shall the Reinsurer be obligated to pay any amounts to the Company or otherwise until Ultimate Net Loss exceeds the Retention.

Within forty-five (45) days following the end of each calendar year, the Company shall furnish the Reinsurer with a statement showing the total net paids and reserves outstanding for Loss and Loss Adjustment Expenses and Unallocated Loss Adjustment with respect to the Covered Business, and any other information reasonably available to any member of the Reinsured Group which the Reinsurer may require for its annual financial statements.

All accounts rendered, payments made and monetary limits expressed hereunder shall be in United States Dollars.

ARTICLE 15

TRUST ACCOUNT

A. The Reinsurer shall procure, as promptly as practicable following the date hereof, with and in the name of the Trustee, a trust account for the benefit of the Company (the " Trust Account "). The Trust Account shall be a segregated trust account maintained by the Trustee pursuant to a Trust Agreement for the benefit of the applicable beneficiaries. The Parties shall cooperate and use reasonable best efforts to cause the Trust Agreement to be executed and delivered, and the Trust Account to be established, at or before such time as the Company makes an initial deposit of assets pursuant to Article 9.

B. In addition to the deposits pursuant to Article 9, the Reinsurer will deposit one hundred million dollars ($100,000,000) in Permitted Assets directly into the Trust Account upon establishment of the Trust Account as security, subject to the provisions of the Trust Agreement.

C. [***]

D. Investment income earned on assets held in the Trust Account will remain in the Trust Account, except that at such time as the result of (i) the amount of Permitted Assets held in the Trust Account (valued on the basis set forth in Paragraph C above) plus (ii) amounts previously paid by the Reinsurer to the Company or the Reinsured Group, or withdrawn by them from the Trust Account, in settlement of the Reinsurer's liability for Ultimate Net Loss

hereunder, exceeds the Limit, all investment income realized on the Permitted Assets in the Trust Account, shall be withdrawn by the Company and paid to the Reinsurer in accordance with the terms of the Trust Agreement.

E. If combined payments from the Trust Account or directly by the Reinsurer to the Company are less than twenty-five million dollars ($25 million) annually for three consecutive calendar years after the Retention has been satisfied on a paid basis, the Parties, recognizing that the Trust Account is not intended to stay in place indefinitely, agree to meet and confer in good faith with the intent to agree to a reasonable and more efficient manner to secure the remaining payment obligations, if any, of the Reinsurer to the Company. At such time, the Reinsurer may also remove its collateral that exceeds 125% of the loss reserves then ceded to the Reinsurer.

F. Permitted Assets in the Trust Account established hereunder may be withdrawn by the applicable beneficiary and shall be utilized and applied by the beneficiary or any successor by operation of law of the beneficiary including, without limitation, any liquidator, rehabilitator, receiver or conservator of the Company, without diminution because of insolvency on the part of the Company or the Reinsurer, only for the following purposes:

a. to reimburse the Company for the Company's share of any Ultimate Net Loss paid by the Company but not recovered from the Reinsurer;

b. to make payment to the Reinsurer of any amounts held in the Trust Account that exceed the Limit or otherwise agreed to be returned to the Reinsurer under this Agreement; and

c. where the Company has received notification of termination of the Trust Account and where the Reinsurer's entire obligations under this Agreement remain unliquidated and undischarged ten (10) days prior to the termination date, to withdraw amounts equal to the obligations and deposit those amounts in a separate account, in the name of the Company, in any qualified U.S. financial institution apart from its general assets, in trust for such uses and purposes specified in Subparagraphs (a) and (b) above as may remain executory after such withdrawal and for any period after the termination date.

All transfers to and withdrawals from the Trust Account shall be in accordance with the terms of this Agreement and subject to the requirements set forth in the Trust Agreement.

ARTICLE 16

DELAYS, ERRORS AND OMISSIONS

Inadvertent delays, errors or omissions made in connection with this Agreement or any transaction hereunder shall not relieve either Party from any liability which would have attached had such delay, error or omission not occurred, *provided* that such error or omission is rectified immediately upon discovery; *provided further* , that the Party making such error or omission or responsible for such delay shall be responsible for any additional liability which attaches as a result.

If (a) the failure of either Party to comply with any provision of this Agreement is unintentional or the result of a misunderstanding or oversight and (b) such failure to comply is promptly rectified, both Parties shall be restored as closely as possible to the positions they would have occupied if no error or oversight had occurred.

ARTICLE 17

CLAIM AUTHORITY

The Company shall retain sole authority for its claims handling on the Covered Business and the pursuit and collection of any Inuring Reinsurance or salvage, subrogation, contribution or similar claims related thereto. The Company shall manage and administer such claims and collections both below and above the Retention in good faith and in a prudent manner consistent with its practices and to the same or better service levels as of the Effective Date, as though this Agreement had not been consummated.

The Company shall notify the Reinsurer of any material changes that the Company makes to its claims handling practices on or after April 1, 2017, including but not limited to claims staffing models, which impact the Covered Business. Such notice shall be given within fifteen (15) days of such material changes.

ARTICLE 18

CURRENCY

A. All amounts payable hereunder shall be paid in United States Dollars.

B. For purposes of this Agreement, where the Reinsured Group receives premiums or pays Loss, Loss Adjustment Expense or ULAE in currencies other than United States Dollars, such items shall be converted into United States Dollars at the actual rates of exchange at which these items are entered in the Company’s books and records, subject to the Currency Bands.

ARTICLE 19

INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Reinsurer of the pendency of a claim against the Company and the Policy reinsured, when such claim would involve a possible liability on the part of the Reinsurer, within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim, the Reinsurer may, investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses that it may deem available to the Company or

its liquidator, receiver, conservator or statutory successor. The reasonable expense thus incurred by the Reinsurer shall be chargeable, subject to the approval of the court, against the Company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

Should the Company go into liquidation or should a receiver be appointed, all amounts due either Company or Reinsurer, whether by reason of premium, losses or otherwise under this Agreement, shall be subject to the right of offset at any time and from time to time, and upon the exercise of the same, only the net balance shall be due.

ARTICLE 20

ACCESS TO RECORDS

The Reinsurer or its duly authorized representatives shall have the right to visit the offices of the Company or the Reinsured Group following the giving of reasonable advance written notice, to inspect, examine, audit, and verify any of the Books and Records relating to Subject Business during regular business hours. The Reinsurer's right to review shall be ongoing and continuous until termination of this Agreement. The Reinsurer's exercise of such right shall not significantly disrupt the Reinsured Group's ordinary course operations and shall otherwise be effectuated in a reasonable manner.

The Company shall promptly provide the Reinsurer with such actuarial data and payment information that is collected by the Company in the ordinary course of business as the Reinsurer may reasonably require to establish and maintain its assumed reserves under this Agreement on its financial statements. The data shall be segmented in a manner consistent with how it is currently maintained by the Company. Actuaries from both Parties shall meet at least annually to discuss the data quality, any modifications to the data segmentation or reporting systems, any changes in claims practices and such other information they mutually agree during the term of this Agreement.

ARTICLE 21

REQUIRED RETENTION; OTHER REINSURANCE

The Company shall keep net and unreinsured the Subject Business in excess of the Limit. If for any reason the Reinsured Group buys reinsurance in excess of the Limit within five years after the Effective Date from anyone other than the Reinsurer or a subsidiary or affiliate of the Reinsurer, or a member of the Arch Capital Group, the Retention hereunder shall automatically increase to an amount of Ultimate Net Loss equal to the Company's retention plus the reinsurer's limit of liability under such other reinsurance, it being the intent of the Parties that the Reinsurer shall have no further liability under this Agreement until the reinsurer under such other reinsurance has become liable to the maximum extent of coverage for losses under such other reinsurance.

The Company may purchase additional reinsurance below the Retention, provided such reinsurance also inures to the benefit of the Reinsurer.

ARTICLE 22

ALLOCATION

Paragraphs A&B below relate to the Reinsured Group and do not impact the Reinsurer's rights and obligations hereunder.

A. The methods of allocating and recording reinsurance recoverables from this Agreement among the reinsured companies with respect to this Agreement will be as follows:

(i) Reinsurance recoverables will be allocated among the reinsured companies in proportion to the losses incurred by each reinsured company applicable to this Agreement.

(ii) Each reinsured company will be responsible for its proportionate share of the reinsurance premiums due to the Reinsurer.

B. Records of these allocations will be maintained by or on behalf of the reinsured companies in sufficient detail to identify both the reinsurance recoverables and premium allocated to each reinsured company.

C. Nothing herein will be construed to provide a separate retention or limit of liability for each reinsured company.

D. Notwithstanding anything in this Article 22 that may be misconstrued to the contrary, the Reinsurers rights and obligation under this Agreement are not impacted by the Reinsurance Group's internal allocations.

ARTICLE 23

ARBITRATION

A. Prior to commencing any arbitration in connection with any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity thereof (a "Dispute"), the parties shall first engage in the following Steering Committee Procedures. Notwithstanding the previous sentence, in any Dispute in which a party seeks a temporary restraining order, preliminary injunction or attachment or other order in aid of arbitration pending the outcome of any Steering Committee (as defined below) meeting or arbitration procedure, such party may seek such order at any time without first following the procedures set forth in Sections (A), (B) and (C) of this Article 23.

B. Following written request of one party to the other party, the Company, on the one hand, and the Reinsurer, on the other hand, shall use commercially reasonable efforts promptly to form a dispute steering committee (the "Steering Committee"), which shall consist of three (3) members appointed by the Company and three (3) members appointed by the Reinsurer; *provided* , that the number of members appointed to the Steering Committee may be modified by the mutual written consent of the parties. There shall be no restrictions placed on the

appointment of any member to the Steering Committee other than that any such member shall be an officer or director of the Company or the Reinsurer, as applicable, and have qualifications and experience reasonably necessary to negotiate regarding the subject matter of the relevant Dispute. The members of the Steering Committee shall meet as frequently as they deem necessary or appropriate to resolve any Disputes under this Agreement, which meetings shall be held promptly following the formation of the Steering Committee at a time and location reasonably agreed to by the members.

C. The Company and the Reinsurer shall cause their respective Steering Committee members to use commercially reasonable efforts to resolve the relevant Dispute without the commencement of arbitration. Any party shall be permitted to commence arbitration to resolve such Dispute only after the occurrence of two (2) separate meetings with all of the members of the Steering Committee, which meetings may be in person, by telephone, videoconference or any other means by which all of the participants can hear each other, or as otherwise agreed by the parties hereto (it being agreed to by the parties that if for any reason such two (2) meetings have not occurred within thirty (30) days after any party first requests in writing that such Dispute be referred to the Steering Committee, the requirements of this Section (C) of Article 23 shall be deemed to have been met).

D. *Provided* that Sections (A), (B) and (C) of this Article 23 have been complied with, any dispute or claim arising out of or relating to this Agreement, including its formation and validity, shall be referred to arbitration. Arbitration shall be initiated by the delivery, by mail, email or other reliable means, of a written demand for arbitration by one party to the other. The arbitration shall be held in New York, New York or such other place as the parties may mutually agree. Arbitration shall be conducted before a three-person Arbitration Panel selected by mutual agreement of the Parties or, failing such agreement, pursuant to the ARIAS•U.S. Umpire Selection Procedure. The arbitrators and Umpire shall be either present or former executive officers of insurance or reinsurance companies or arbitrators certified by ARIAS•U.S. The arbitrators and Umpire shall not be under the control of either party, and shall have no financial interest in the outcome of the arbitration. The arbitrators and Umpire shall not be obligated to follow the strict rules of evidence. The Panel shall have the power to award costs, fees and interest if it so deems appropriate. The decision of a majority of the Arbitration Panel shall be final and binding to the fullest extent permitted by law. The Arbitration Panel shall render its award in writing. Judgment upon the award may be entered in any court having jurisdiction. Unless the Arbitration Panel orders otherwise, each party shall pay its own counsel and an equal share of the fees and expenses of the arbitrators and of the other mutual expenses of the arbitration.

ARTICLE 24

NOTICES

All notices shall be given in writing and given to the parties at the following addresses:

If to the Company:

AmTrust Financial Services, Inc.
59 Maiden Lane
New York, New York 10038
Attn: General Counsel
Telephone No.: (646) 458-7913

With copy to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn.: Marilyn A. Lion
Telephone No.: (212) 909-6108

If to the Reinsurer:

PREMIA REINSURANCE LTD.
Waterloo House
100 Pitts Bay Road,
Pembroke, HM 08, BERMUDA
Attention: President
Telephone No.: (441) 278- 9176

With copy to:

MORRISON FOERSTER LLP
250 West 55 th Street
New York, NY 10019
Attention: Gary S. Lee, Esq.
Telephone No.: (212) 468-8042

Notices may be delivered by hand, by overnight courier, or email.

Unless shown to have been received earlier, any Notice so delivered shall be deemed to have been delivered:

a. if delivered by hand or by overnight courier, when delivered, if delivered during business hours on any Business Day or, if delivered outside such business hours, at the commencement of business hours on the next following Business Day; or

b. if delivered by email, at the time of transmission, if transmitted during business hours on any Business Day or, if transmitted outside such business hours, at the commencement of business hours on the next following Business Day.

Any party may, by Notice to any other party, change the name, address or other details to which Notices may be given pursuant to this Agreement.

ARTICLE 25

SERVICE OF SUIT; JURISDICTION

The only suits, actions, or proceedings relating to a dispute permitted to be brought in a judicial forum are those (i) to compel arbitration, (ii) for temporary injunctive relief in aid of arbitration or to preserve the status quo pending the appointment of the arbitrator(s), (iii) to enforce or vacate an arbitral award, or (iv) to obtain relief in connection with arbitration pursuant to New York law and procedure. Any such proceeding shall be brought exclusively in the courts of New York. The Company and the Reinsurer hereby irrevocably submit to the exclusive jurisdiction of the courts of New York for such purpose and any appellate courts thereof, and agree to comply with all requirements necessary to give such court jurisdiction and to abide by the final decision of such court or of any appellate court in the event of an appeal. Notwithstanding the foregoing, any judgment confirming a final arbitral award hereunder may be entered and enforced in any court having jurisdiction over any party or any of its assets.

ARTICLE 26

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of New York without regard to principles of conflicts of law.

ARTICLE 27

REPRESENTATIONS AND WARRANTIES

As of the date hereof, each Party represents and warrants to the other the following:

a. Organization, Standing and Authority . It is an insurance company duly organized, validly existing and in good standing under the laws of its domicile and has all requisite corporate power and authority to enter into and perform its obligations under this Agreement and it shall maintain throughout the term of this Agreement all licenses, permits or permissions of any Governmental Authority that shall be required in order to perform its obligations under this Agreement;

b. Authorization . It has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder and thereunder. Its execution and delivery of this Agreement, and its performance of its obligations hereunder and thereunder, have been duly authorized by all necessary corporate action. This Agreement and the Trust Agreement, when duly executed and delivered by the Parties hereto and thereto, will be a valid and binding obligation, enforceable against it in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws affecting creditors' rights generally, by applicable insurance insolvency and liquidation statutes and regulations and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law); and

c. <u>No Conflict or Violation</u> . The execution, delivery and performance of this Agreement and its consummation of the transactions contemplated hereby and thereby will not (a) violate any provision of its Articles of Incorporation, Bylaws or other charter or organizational document applicable to it, (b) violate any order, judgment, injunction, award or decree of any court, arbitrator or Governmental Authority against, or binding upon it, or any agreement with, or condition imposed by, any Governmental Authority binding upon it, or (c) conflict with, result in a breach of or a default (with or without notice or lapse of time or both) under, give rise to, or result in a right of, acceleration, amendment or termination under, or, except for the Trust Agreement, result in the creation of any lien on any of its property or assets under, any contract or agreement to which it is a party or by which it or its property or assets are bound or subject except to the extent that such conflict, breach or default would not, individually or in the aggregate, reasonably be expected to result in a material adverse effect on the Parties hereunder, including in their to perform their obligations hereunder and thereunder.

ARTICLE 28

OFFSET

The Company and the Reinsurer may offset any balance or amount due from one party to the other at any time under this Agreement and to the fullest extent allowed by law.

ARTICLE 29

NO THIRD PARTY RIGHTS

This Agreement is solely between the Company and the Reinsurer, and in no instance shall any Insured, claimant or other third party (other than the Reinsured Group) have any rights under this Agreement unless as may otherwise be expressly provided for herein.

ARTICLE 30

AMENDMENTS

Any change or modification to this Agreement will be made only by written amendment to this Agreement and signed by the Company and the Reinsurer.

ARTICLE 31

OVERDUE PAYMENTS

In the event any payment, other than the Premium, due either Party is not received by the other Party by the payment due date, the Party to whom payment is due may require the debtor party to pay, and the debtor party agrees to pay, an interest penalty on the amount past due calculated for each such payment on the last Business Day of each month as follows:

If the payment is thirty (30) days but less than ninety (90) days overdue, then the interest shall be determined in the following manner:

1. 1/365th of the sum of the six-month United States Treasury Bill rate as quoted in The Wall Street Journal on the first Business Day of the month for which the calculation is made, plus the applicable Interest Rate Increase (as established in subparagraph (2) below), times the amount past due.

The "Interest Rate Increase" shall be defined as follows:

2. If payment is made more than ninety (90) days after the overdue date, 4% per annum.

3. Interest shall accumulate until payment of the original amount due plus interest has been received by the creditor party.

   The due date shall, for purposes of this Article, be determined as follows:

4. Payments from the Reinsurer to the Company shall be due forty-five (45) days after the date a quarterly proof of loss supporting the demand for payment (including delivery of quarterly reports) is received by the Reinsurer, and shall be overdue thereafter.

5. Payments from the Company to the Reinsurer shall be due on the dates specified within this Agreement. In the event a due date is not specifically stated for a given payment, the overdue date shall be thirty (30) days following the date of billing.

If the information contained in the Company's demand for payment is insufficient or not in accordance with the conditions of this Agreement, then within forty-five days (45) days the Reinsurer shall request from the Company all additional information necessary to validate its claim and the payment due date as defined above shall be deemed to be the date upon which the Reinsurer receives the requested additional information. This paragraph is only for the purpose of establishing when a payment is overdue, and shall not alter the provisions of the Reports and Remittances Article or other applicable provisions of this Agreement.

In the event arbitration is necessary to settle a Dispute, the panel shall have the authority to make a determination if interest should be awarded to the prevailing party. Interest, if any, awarded by the panel shall supersede the interest amounts outlined herein. Any interest owed pursuant to this Article may be waived by the party to which it is owed. Waiver of such interest, however, shall not affect the waiving party's rights to other interest amounts due as a result of this Article.

ARTICLE 31-A

CONFIDENTIAL INFORMATION

A. The Parties (each, the " Receiving Party ") hereby covenant and agree, each on behalf of itself and on behalf of its affiliates, that from and after the date hereof, the Receiving Party and its affiliates will not disclose, give, sell, use or otherwise divulge any Confidential Information (as defined below) of the other Party (the " Disclosing Party ") or permit their respective representatives to do the same, except that each Receiving Party may disclose such Confidential Information or portions thereof (i) if legally compelled to do so or as required in connection with an examination by an insurance regulatory authority, (ii) to the extent

necessary for the performance of such Receiving Party's obligations under this Agreement, (iii) to enforce the rights of such Receiving Party or its affiliates under this Agreement, (iv) to those of such Receiving Party's affiliates, and to their respective representatives in each case who need to know such information for the foregoing purposes, (v) as required under any applicable law, (vi) as required to support a position taken on any tax return or (vii) as required by the rules of any stock exchange on which the stock of a Receiving Party's affiliate is traded, as applicable. If the Receiving Party or its affiliates, or any of their respective representatives become legally compelled to disclose any Confidential Information (other than as required in connection with an examination by an insurance regulatory authority or as required to support a position taken on any tax return), the Receiving Party shall provide the Disclosing Party with prompt written notice of such requirement so that the Disclosing Party may seek a protective order or other remedy or waive compliance with this Article. In the event that such protective order or other remedy is not obtained, or the Disclosing Party waives compliance with Article, the Receiving Party or its affiliates, as applicable, shall furnish only that portion of Confidential Information which is legally required to be provided and exercise its commercially reasonable efforts to obtain assurances that appropriate confidential treatment will be accorded to the Confidential Information.

B. For the purposes of this Agreement, " Confidential Information " means all confidential information (irrespective of the form of such information) of any kind, including any analyses, compilations, data, studies, notes, translations, memoranda or other documents, concerning the Disclosing Party or any of its affiliates obtained directly or indirectly from the Disclosing Party or any of its affiliates or representatives in connection with the transactions contemplated by this Agreement, including any information regarding the Subject Business or provisions or terms of this Agreement to the extent confidential treatment is sought from any securities regulator for such information (provided that, notwithstanding the foregoing, each Party may make such disclosures in its filings with the U.S. Securities and Exchange Commission as it believes are required), except information (i) which, at the time of the disclosure, was ascertainable or available to the public (other than as a result of a disclosure directly or indirectly by the Receiving Party or any of its affiliates, or representatives), (ii) that is or becomes available to the Receiving Party on a non-confidential basis from a source other than the Disclosing Party or any of its affiliates, or representatives; provided that, to the knowledge of such Receiving Party, such source was not prohibited from disclosing such information to the Receiving Party by a legal, contractual or fiduciary obligation owed to another person, (iii) that the Receiving Party can establish is already in its possession or the possession of any of its affiliates or representatives (other than information furnished by or on behalf of the Disclosing Party) or (iv) that is independently developed by the Receiving Party or its affiliates without the use or benefit of any information that would otherwise be Confidential Information.

C. In addition, the Reinsurer hereby acknowledges and agrees that any personal information about individuals protected from disclosure (" Personal Information ") under any applicable state and federal privacy laws (including statutes and regulations enacted pursuant to the Gramm-Leach-Bliley Act, Public Law 106-102) (" Privacy Laws ") will not be used or disclosed by the Reinsurer if prohibited by Privacy Laws. The Reinsurer confirms that it has in place written and up-to-date administrative, technical and physical safeguards to protect the

security, integrity and confidentiality of Personal Information in accordance with all Privacy Laws to the extent relevant to this Agreement. Should the Reinsurer learn or have reason to believe that Personal Information has been disclosed in a manner contrary to Privacy Laws, the Reinsurer, upon learning of such disclosure, shall give the Company immediate written notice of such disclosure to allow the Company to evaluate its potential rights, and the Reinsurer, at its own expense, shall take immediate action to remedy any such disclosure as required by law.

ARTICLE 32

ENTIRE AGREEMENT

This Agreement shall constitute the entire agreement between the Parties in connection with the Covered Business and provides no guarantee of profit, directly or indirectly, from the Reinsurer to the Company or from the Company to the Reinsurer.

In the event of any conflict between the provisions of this Agreement and the provisions of any other document referred to in it, the provisions of this Agreement shall prevail.

ARTICLE 33

DUTY OF COOPERATION

Each Party shall cooperate fully with the other in all reasonable respects in order to accomplish the objectives of this Agreement, including making available to each other their respective officers and employees and agents, and furnishing any additional assistance, information and documents as may be reasonably requested by a party from time to time. The duty of cooperation shall apply, but not be limited, to regulatory matters and to litigation matters involving third parties.

Without limiting the foregoing:

(a) at the Reinsurer’s reasonable request, in order to effectuate the purposes of this Agreement, the Company shall cooperate with the Reinsurer in a novation or transfer of this Agreement to an affiliate of the Reinsurer; *provided* , the Company shall in no case be required to agree to any such novation if the Company, acting reasonably, determines that such transfer will or could be expected to have a material and adverse effect on the interests of the Company or the Reinsured Group, (it being understood that, for this purpose, “material and adverse effect” includes, without limitation, each of the following: (i) an adverse effect on the Company’s regulatory relationship with applicable regulatory authorities or (ii) an unacceptable amount of counterparty credit exposure being borne by the Company with respect to the replacement reinsurer); and

(b) at the Company’s reasonable request, in order to effectuate the purposes of this Agreement, (i) the Parties shall amend this Agreement and the Trust Agreement as and when required to the extent necessary to comply with applicable law and regulation, and to ensure that the Company is able to receive the full financial benefit of this reinsurance, subject in the first instance to the Minimum Collateral Amount in Article 15 and to the original intent of the

Parties, (ii) the Reinsurer shall cooperate with the Company to add additional members of the Reinsured Group as ceding companies under this Agreement with respect to the Subject Business, and to establish additional Trust Accounts for the benefit of such additional ceding companies in accordance with Article 15, and (iii) the Reinsurer shall cooperate with the Company with respect to any good faith reallocation of assets in the Trust Accounts, subject in each case to receipt of all necessary or appropriate governmental approvals.

ARTICLE 34

REMEDIES AND WAIVERS

No action taken by any Party hereto in exercising its rights under this Agreement shall in any way be construed as a waiver by such Party of any other rights or remedies available to it.

The single or partial exercise of any right, power or remedy provided by law or under this Agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

A waiver (which may be given subject to conditions) of any right, power or remedy provided under this Agreement or by law shall only be effective if it is in writing. Any waiver shall apply only to the Party to whom it is addressed and for the specific circumstances for which it is given. Any waiver shall not prevent the Party who has given the waiver from subsequently relying on the right, power or remedy in other circumstances.

In the event of a waiver of any provision of this Agreement, such waiver shall not be deemed a waiver of any other provision herein, nor shall waiver of any breach of this Agreement be construed as a continuing waiver of subsequent breaches of the same or other provisions of this Agreement.

The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

ARTICLE 35

ASSIGNMENT

Neither this Agreement, nor any rights, interests or obligations hereunder, may be directly or indirectly assigned, delegated, sublicensed or transferred by any Party, in whole or in part, to any other person or entity by operation of law or otherwise, whether voluntarily or involuntarily, without the prior written consent of the other Party.

The Company agrees that Reinsured Group shall not be permitted to subject any Covered Business to any statutory scheme of arrangement or any similar mechanism which would have the effect of accelerating or resolving by statutory scheme or similar mechanism any of the Covered Business.

ARTICLE 36

UTMOST GOOD FAITH

The relationship of the Parties with respect to the matters covered by this Agreement shall be in accordance with the principles of utmost good faith and fair dealing.

ARTICLE 37

TAXES

The Company shall be liable for all taxes on premiums ceded hereunder. The Reinsurer agrees to allow the deduction from the Premium payable hereunder of sixty-three percent (63%) of the applicable 1% Federal Excise Tax (FET) on the aggregate Premium hereunder, and the Company shall bear the remaining thirty-seven percent (37%) of such Federal Excise Tax, in each case, to the extent such premium is subject to the U.S. Federal Excise Tax imposed by Section 4371(3) of the U.S. Internal Revenue Code of 1986, as amended.

ARTICLE 38

FATCA

The Reinsurer agrees to provide the Company a valid W-8BENE or such other documentation approved for use that confirms the Reinsurer is not subject to any withholding.

ARTICLE 39

SANCTIONS

The Reinsurer will not be liable for any payments under this Agreement if it would result in a violation of any mandatory sanction, prohibition, or restriction under United Nations resolutions or the trade or economic sanctions, laws, or regulations of the European Union, United Kingdom, or United States of America.

ARTICLE 40

COUNTERPARTS

This Agreement may be executed and delivered in multiple counterparts, each of which, when so executed and delivered, shall be an original but such counterparts shall together constitute one and the same instrument and agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized representatives this 30 th day of June, in the year of 2017.

AMTRUST INTERNATIONAL INSURANCE LTD.

By: /s/ Harry Schlachter
Name: Harry Schlachter
Title: Treasurer

TECHNOLOGY INSURANCE COMPANY

By: /s/ Harry Schlachter
Name: Harry Schlachter
Title: Treasurer

WESCO INSURANCE COMPANY

By: /s/ Harry Schlachter
Name: Harry Schlachter
Title: Treasurer

PREMIA REINSURANCE LTD.

By: /s/ Scott Maries
Name: Scott Maries
Title: President

[*signature page to Aggregate Reinsurance Agreement*]

Schedule I

[***]

Schedule II

[***]

CERTIFICATION

I, Barry Zyskind, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AmTrust Financial Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

By: /s/ Barry Zyskind
Barry Zyskind
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Adam Karkowsky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AmTrust Financial Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

By: /s/ Adam Karkowsky

Adam Karkowsky
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Barry Zyskind, Chairman, President and Chief Executive Officer (Principal Executive Officer) of AmTrust Financial Services, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 9, 2017	By:	/s/ Barry Zyskind
			Barry Zyskind
			Chairman, President and Chief Executive Officer
			(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Adam Karkowsky, Chief Financial Officer (Principal Financial and Accounting Officer) of AmTrust Financial Services, Inc. (the “Company”), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2017

By: /s/ Adam Karkowsky

Adam Karkowsky
Chief Financial Officer
(Principal Financial and Accounting Officer)