

Amtrust Financial Services, Inc.
Form PRE 14A
March 14, 2013
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SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant: ..

Filed by a Party other than the Registrant: ..

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

AMTRUST FINANCIAL SERVICES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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(1) Title of each class of securities to which transaction applies:

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**NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS
AND
PROXY STATEMENT
MAY 23, 2013**

59 Maiden Lane, 6th Floor

New York, NY 10038

Phone: 212.220.7120

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www.amtrustgroup.com

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AMTRUST FINANCIAL SERVICES, INC.

59 Maiden Lane, 6th Floor

New York, New York 10038

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 23, 2013

April 8, 2013

Dear Shareholder:

You are cordially invited to attend the 2013 Annual Meeting of Shareholders of AmTrust Financial Services, Inc. (AmTrust, AmTrust Financial, the Company, our, us, or we), which will be held on Thursday, May 23, 2013, commencing at 10:00 a.m. (Eastern time), at 59 Maiden Lane, New York, New York 10038.

At the Annual Meeting, you will be asked to consider and act upon (1) the election of the seven directors named in the proxy statement, (2) the ratification of the appointment of BDO USA, LLP as our independent auditors, (3) approval of an amendment to our Amended and Restated Certificate of Incorporation to increase our authorized common stock from 100,000,000 shares to 150,000,000 shares, and (4) such other business as may properly come before the meeting or any adjournment or postponement thereof. Each of the matters to be acted upon at the meeting is more fully described in the attached proxy statement.

Record holders of common stock at the close of business on March 25, 2013, the date fixed by our Board of Directors as the record date for the meeting, are entitled to notice of and to vote on any matters that properly come before the Annual Meeting and at any adjournment or postponement thereof.

We are mailing a copy of our Annual Report to Shareholders, which includes a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, together with this Notice of Annual Meeting of Shareholders and proxy statement. Additional copies may be obtained by writing to AmTrust Financial Services, Inc., 59 Maiden Lane, 6th Floor, New York, New York 10038, Attention: Corporate Secretary.

On behalf of the officers, directors and employees of AmTrust Financial, I would like to express our appreciation for your continued support.

Sincerely,

Stephen Ungar

General Counsel and Secretary

Important Notice Regarding the Availability of Proxy Materials

for the Annual Shareholders Meeting to Be Held on May 23, 2013:

The proxy statement, proxy card and annual report to security holders are available at

<https://www.proxydocs.com/AFSI>

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PROXY STATEMENT

General Information

This proxy statement is furnished to you and other shareholders of AmTrust Financial Services, Inc. (AmTrust, the Company, our, us, or we) in connection with the solicitation of proxies by our Board of Directors to be used at our 2013 Annual Meeting of Shareholders, which will be held at 59 Maiden Lane, New York, New York 10038, on Thursday, May 23, 2013, at 10:00 a.m. (Eastern time) and any adjournment or postponement thereof. All shareholders are entitled and encouraged to attend the Annual Meeting in person. This proxy statement, together with the accompanying proxy card, is first being mailed to shareholders on or about April 8, 2013.

All shares of common stock represented by properly executed proxies received pursuant to this solicitation will be voted in accordance with the shareholder's directions specified on the proxy. If no directions have been specified by marking the appropriate squares on the accompanying proxy card, the shares will be voted FOR the slate of directors described herein, FOR the ratification of BDO USA, LLP as our independent auditors and FOR approval of the amendment to our Amended and Restated Certificate of Incorporation. In connection with any other business that may properly come before the Annual Meeting, all properly executed proxies delivered pursuant to this solicitation and not revoked will be voted in the discretion of persons appointed as proxies and named in the proxy. A shareholder signing and returning the accompanying proxy has the power to revoke it at any time prior to its exercise by giving written notice of revocation to our Corporate Secretary, by submitting a proxy bearing a later date, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not constitute, in itself, revocation of a proxy.

We will pay all expenses in connection with this solicitation of proxies and such costs are those normally expended in connection with an annual proxy statement. Proxies will be solicited principally by mail, but directors, officers and certain other individuals authorized by us may personally solicit proxies. We will reimburse custodians, nominees or other persons for their out-of-pocket expenses in sending proxy material to beneficial owners.

The Board has fixed the close of business on March 25, 2013 as the record date for determining the holders of common stock entitled to notice of and to vote at the Annual Meeting. Each such shareholder is entitled to one vote per share. As of the record date, there were [] shares of common stock outstanding.

In voting by proxy with regard to the election of directors, shareholders may vote in favor of each nominee or withhold their votes as to each nominee. Should any nominee become unable to accept nomination or election, the persons appointed as proxies will vote for the election of such other person as a director as the present directors may recommend in the place of such nominee. The information set forth below regarding the nominees is based on information furnished by them. In voting by proxy with regard to the ratification of our independent auditors and approval of the amendment to our Amended and Restated Certificate of Incorporation, shareholders may vote in favor of or against each proposal or may abstain from voting.

A majority of the outstanding common stock, represented in person or by proxy, constitutes a quorum for the transaction of business at the Annual Meeting. The seven candidates receiving the greatest number of votes will be elected as our directors. The affirmative vote of the majority of shares cast at the Annual Meeting, represented in person or by proxy, is necessary to ratify the selection of BDO USA, LLP as our independent auditors. In accordance with the applicable provisions of Delaware law, approval of the amendment to our Amended and Restated Certificate of Incorporation requires the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote.

Shareholder abstentions and broker non-votes will be included in the number of shareholders present at the Annual Meeting for the purpose of determining the presence of a quorum but as unvoted for the purposes of

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determining the approval of any matter submitted to the shareholders for a vote. A broker non-vote occurs when a broker cannot vote a customer's shares registered in the broker's name because the customer did not send the broker instructions on how to vote on the matter and the broker is barred by law or stock exchange regulations from exercising its discretionary voting authority in the particular matter. Brokers will have voting discretion for shares registered in their own name on Proposal 2 to ratify the appointment of our independent auditors, but not on Proposal 1 to elect directors or Proposal 3 to approve the amendment to our Amended and Restated Certificate of Incorporation. An abstention or broker non-vote with respect to Proposals 1 and 2 has no effect on the voting outcome, but counts as a vote against the amendment with respect to Proposal 3.

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PROPOSAL 1: ELECTION OF DIRECTORS

Our Board of Directors consists of seven members. All directors will be elected at the Annual Meeting, each to serve for a one-year term until the 2014 Annual Meeting of Shareholders and until the election or appointment and qualification of his or her successor, or until his or her earlier death, resignation or removal. Upon recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has unanimously nominated Ms. Susan C. Fisch and Messrs. Donald T. DeCarlo, Abraham Gulkowitz, George Karfunkel, Michael Karfunkel, Jay J. Miller, and Barry D. Zyskind for re-election as directors at the Annual Meeting. Proxies cannot be voted for more than seven director nominees.

Each of the director nominees who is standing for re-election to the Board of Directors has consented to serve for a new term, if elected. The Board of Directors does not contemplate that any of the nominees will be unable to stand for election, but should any nominee become unable to serve or for good cause will not serve, all proxies (except proxies marked to the contrary) will be voted for the election of a substitute nominee as our Board of Directors may recommend.

Nominees for Election of Directors

Donald T. DeCarlo, 74, Director since 2006, is an attorney in private practice. Mr. DeCarlo served as the Chairman of the Board of Commissioners of the New York State Insurance Fund from 2011 until October 2012 and served as a Commissioner from 1997 through 2009. From 1997 to 2004, Mr. DeCarlo practiced in the New York offices of Lord, Bissell & Brook, LLP, a law firm, where he was managing partner prior to his departure. He is also a consultant to Fidelity National Indemnity Insurance Company (a Texas insurance company that services flood insurance for the Federal Emergency Management Agency (FEMA)), a director of Jackson National Life Insurance Co. of New York, Greater New York Mutual Insurance Company (an insurer that primarily underwrites large property coverages) and its subsidiaries, Greater New York Custom Insurance Company, Insurance Company of Greater New York and Strathmore Insurance Company, WRM America Holding Company, LLC, WRM America Indemnity Company Inc. and several of our subsidiaries. He is also one of our two appointees to American Capital Acquisition Corporation's Board of Directors. From 1987 to 1997, Mr. DeCarlo held a number of positions with the Travelers Group's insurance companies, including serving as Senior Vice President and General Counsel of all of the companies from 1994 to 1997. From 1973 to 1986, Mr. DeCarlo was vice president and general counsel of the National Council on Compensation Insurance, a national association that collects, tabulates and provides data used in formulating rates for workers compensation insurance. Mr. DeCarlo received a B.A. from Iona College and a J.D. from St. John's University School of Law. Mr. DeCarlo has also written three books and numerous articles on workers' compensation insurance.

Mr. DeCarlo has been selected to serve on the Board of Directors because he is a recognized expert in the workers' compensation industry. He has extensive experience representing insurance industry clients in corporate, regulatory and commercial matters.

Susan C. Fisch, 68, Director since 2010, has over 30 years of experience in the insurance industry as a reinsurance broker specializing in workers' compensation. From 2001 to 2009, Ms. Fisch was an executive at Willis Re, Inc., an insurance broker, where she created and directed the Workers' Compensation Practice Group that was responsible for the creation of new products, placement of workers' compensation programs, relationship coordination with reinsurers and new client prospecting. In addition, she provided guidance and strategic direction to Willis Re clients and prospects in all aspects of workers' compensation. From 1992 through 2001, Ms. Fisch was a senior vice president and team leader specializing in workers' compensation at Benfield Blanch. From 1987 through 1992, she was a reinsurance treaty broker focusing on workers' compensation at Enan & Company. From 1978 through 1987, she was employed by Thomas A. Greene Company as a facultative broker and, ultimately, as head of the casualty facultative department in the company's San Francisco office. She began her career with Towers Perrin, an actuarial company, in 1976. Ms. Fisch has been a frequent speaker at workers' compensation seminars. Ms. Fisch holds a B.A. degree and a Master's degree in Education from the University of Pittsburgh.

Ms. Fisch has been selected to serve on the Board of Directors because of her extensive knowledge of and contacts in the industry, with a specialization in workers' compensation insurance.

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Abraham Gulkowitz, 64, Director since 2006, is a co-founder and partner of Brookville Advisory, an investment fund specializing in credit analysis whose predecessor is Brookville Capital, which was started in 2002 and in late 2006 was sold to Morgan Stanley Alternative Assets. Mr. Gulkowitz worked for Brookville Capital from 2002 until Brookville Advisory was recreated independently in 2011. From 1978 to 2002, Mr. Gulkowitz served in various positions, including as a Senior Managing Director and a member of the partners management group, at Bankers Trust/Deutsche Bank, an investment bank. His responsibilities included the analysis of economic and business issues related to leveraged financing transactions as well as mergers and acquisitions, private equity and real estate investments. Mr. Gulkowitz joined Bankers Trust in 1978 from Chase Manhattan Bank where he was a financial market analyst. Prior to that, he was an economics research assistant to Alan Greenspan. Mr. Gulkowitz is also a member of the advisory board of Gryphon Investors Group, a San Francisco-based private equity firm specializing in middle market investment opportunities. Mr. Gulkowitz received his M.B.A. from New York University, where he also did post-graduate work in economics.

Mr. Gulkowitz has been selected to serve on the Board of Directors because of his diverse and extensive financial and management experience and because he qualifies as our Audit Committee financial expert.

George Karfunkel, 64, Director since 1998, is currently the Chairman of Sabr Group, a consulting company based in New York City. Mr. Karfunkel was a director, the former Senior Vice President and co-owner of American Stock Transfer & Trust Company, LLC, a stock transfer company, which he founded in 1971 with his brother, Michael Karfunkel, and sold to an Australian private equity firm in 2008. Mr. Karfunkel's real estate holdings include major office buildings in New York, Chicago and several other cities, which he holds through entities he controls with Michael Karfunkel. The Karfunkels also are co-owners of Worldwide TechServices, LLC, a computer maintenance and services company. Mr. Karfunkel is the owner of Verisight, Inc., a provider of 401(k) and other retirement plan services. Mr. Karfunkel serves as vice chairman of The Upstate Bank, a nationally-chartered community bank, co-chairman of CheckAlt Payment Solutions, a provider of automated and electronic check transaction processing, and as a director of The Berkshire Bank, an independent bank based in New York.

Mr. Karfunkel has been selected to serve on the Board of Directors because he is a successful businessman with 40 years of experience in the ownership and management of and investment in the financial services industry, including insurance, banking and real estate. In addition, Mr. Karfunkel, together with Michael Karfunkel and Mr. Zyskind, are our founding shareholders, and, as a group along with Leah Karfunkel (Michael Karfunkel's spouse), own and control the majority of our issued and outstanding stock.

Michael Karfunkel, 70, Chairman of the Board of Directors since 1998, is a businessman with significant interests in the financial services industry, including insurance, banking and real estate. He is a director and Chairman of American Capital Acquisition Corporation (ACAC), an insurance holding company, which was formed in 2009 (see Certain Relationships and Related Transactions). Mr. Karfunkel's real estate holdings include major office buildings in New York, Chicago and several other cities, which he holds through entities he controls with his brother, George Karfunkel. The Karfunkels also are co-owners of Worldwide TechServices, LLC, a computer maintenance and services company. Mr. Karfunkel was a director, the former President and co-owner, with George Karfunkel, of American Stock Transfer & Trust Company, LLC, a stock transfer company, which he founded in 1971 with George Karfunkel, and sold to an Australian private equity firm in 2008. Mr. Karfunkel is Mr. Zyskind's father-in-law.

Mr. Karfunkel has been selected to serve on the Board of Directors because he has a 40 year record of developing and managing successful businesses, including the Company, Maiden Holdings, Ltd. and ACAC. His experience includes the management of large investment portfolios, mergers and acquisitions, and corporate finance, all of which are integral to our success. In addition, Mr. Karfunkel, together with George Karfunkel and Mr. Zyskind, are our founding shareholders, and as a group, along with his spouse, Leah Karfunkel, own and control the majority of our issued and outstanding common stock.

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Jay J. Miller, 80, Director since 1998, has practiced law specializing in securities matters and corporate transactions for more than 40 years. Mr. Miller served as our Secretary (without compensation) from 1998 to 2005. Mr. Miller also serves as a director of several of our wholly-owned subsidiaries, and is Chairman of the Board of Gulf USA Corporation, a property and natural resource company. He is also a director of Integrated Business Systems, Inc., a real estate management technology company, Verisight, Inc., a privately-held provider of 401(k) and other retirement plan services, and its affiliated non-depository trust company, Verisight Trust Company. In March 2009, Mr. Miller became a director and member of the Audit Committee of One West Bank, a federally-chartered thrift institution. Mr. Miller received a B.A. from Syracuse University and a J.D. from Columbia University School of Law.

Mr. Miller has been selected to serve on the Board of Directors because he is a corporate and securities lawyer with extensive experience representing clients in many industries, including financial services, and has been involved in transactions nationally and internationally. He has served on our Board of Directors, as well as the boards of directors of our significant subsidiaries, since Michael Karfunkel and George Karfunkel acquired the Company in 1998, has valuable historical knowledge of our development, and is a respected advisor to management and the other members of the Board.

Barry D. Zyskind, 41, Director since 1998, has held senior management positions with the Company since 1998 and currently serves as our Chief Executive Officer and President. Mr. Zyskind also serves as an officer and director of many of our wholly-owned subsidiaries. Mr. Zyskind currently serves as non-executive chairman of the board of Maiden Holdings, Ltd., an insurance holding company (see Certain Relationships and Related Transactions). Prior to joining us, Mr. Zyskind was an investment banker at Janney Montgomery Scott, LLC in New York. Mr. Zyskind received an M.B.A. from New York University's Stern School of Business. Mr. Zyskind is Michael Karfunkel's son-in-law.

Mr. Zyskind has been selected to serve on the Board of Directors because of his position as our Chief Executive Officer, his role in our profitable growth both before and after we became a public company, his knowledge of the industry and his experience in corporate finance. In addition, Mr. Zyskind, together with Michael Karfunkel and George Karfunkel, are our founding shareholders and, as a group with Leah Karfunkel, own and control a majority of our issued and outstanding stock.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL THE NOMINEES NAMED ABOVE.

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CORPORATE GOVERNANCE

Board of Directors

Our Certificate of Incorporation provides that our Board shall consist of not less than five directors and not more than thirteen directors, with the exact number to be set by the Board from time to time. Currently, our Board of Directors consists of seven members. Directors elected at the Annual Meeting will each serve for a one-year term until the 2014 Annual Meeting of Shareholders and until the election or appointment and qualification of his or her successor, or until his or her earlier death, resignation or removal.

Our Board of Directors met on nine occasions during 2012. Each of our directors attended 75% or more of the aggregate total of the Board meetings and Board committee meetings on which such director served. We encourage and expect all of the directors to attend each annual meeting of shareholders. To that end, and to the extent reasonably practicable, we regularly schedule a meeting of the Board on the day of the annual meeting of shareholders. All of our directors were present at the 2012 annual meeting of our shareholders.

Independence of Directors

Our Board of Directors has determined that four of our seven directors, Donald DeCarlo, Susan Fisch, Abraham Gulkowitz and Jay Miller, are independent directors under the NASDAQ Marketplace Rules. The remaining three directors, Barry Zyskind, George Karfunkel and Michael Karfunkel, do not qualify as independent directors.

We are a controlled company as defined in Rule 5615(c)(1) of NASDAQ's listing standards because George Karfunkel, Michael Karfunkel, Leah Karfunkel and Barry Zyskind, directly or indirectly, collectively beneficially own or control approximately 58% of our voting power (see Security Ownership of Certain Beneficial Owners). Therefore, we are exempt from the requirements of Rule 5605 with respect to having:

a majority of the members of our Board of Directors be independent;
our Compensation and Nominating and Corporate Governance Committees comprised solely of independent directors;
the compensation of our executive officers determined by a majority of our independent directors or a Compensation Committee comprised solely of independent directors; and
director nominees being selected or recommended for selection by our Board of Directors, either by a majority of our independent directors or by a nominating committee comprised solely of independent directors.

Michael Karfunkel, who is not an independent director, is a member of our Compensation and Nominating and Corporate Governance Committees.

Executive Sessions

As required under NASDAQ's Marketplace Rule 5605(b)(2), our independent directors have regularly scheduled meetings at which only they are present.

Board Committees

Our Board has established the following committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Executive Committee. Our Board may, from time to time, establish or maintain additional committees as it deems necessary or appropriate.

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The membership of the existing committees as of March 25, 2013 is provided in the following table.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Executive Committee
Donald DeCarlo	X	X*	X*	
Susan Fisch	X			
Abraham Gulkowitz	X*			
George Karfunkel				X
Michael Karfunkel		X	X	X
Jay Miller		X	X	
Barry Zyskind				X*

* Chair

Audit Committee

The Audit Committee oversees our auditing, accounting, financial reporting, internal audit and internal control functions, appoints our independent public accounting firm and approves its services. One of its functions is to assure that the independent public accountants have the freedom, cooperation and opportunity necessary to accomplish their functions. The Audit Committee also assures that appropriate action is taken on the recommendations of the independent public accountants. Our Audit Committee Charter, which describes all of the Audit Committee's responsibilities, is posted on the Investor Relations section of our website (www.amtrustgroup.com) and is available in print to any shareholder who requests a copy.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Board has determined that each member of the Audit Committee meets the independence requirements contained in the NASDAQ listing standards and Rule 10A-3(b)(1) of the Exchange Act. In addition, the Board has determined that Mr. Gulkowitz qualifies as an audit committee financial expert within the meaning of Securities and Exchange Commission (SEC) regulations and applicable NASDAQ listing standards.

The Audit Committee met nine times in 2012.

Compensation Committee

The Compensation Committee reviews and determines, together with the other directors if directed by the Board of Directors, the compensation of our named executive officers and reviews and approves employment and severance agreements with our named executive officers. The Compensation Committee also administers the grant of stock options and other awards under our 2010 Omnibus Incentive Plan, administers the grant of performance-based compensation pursuant to the Amended and Restated 2007 Executive Performance Plan and establishes and reviews policies relating to the compensation and benefits of our employees and consultants. As permitted by the terms of our 2010 Omnibus Incentive Plan, the Compensation Committee has delegated authority to our chief executive officer to designate individuals (employees who are not officers) who will receive equity awards upon initial hire and the size of such awards, up to a limited number of shares.

Final compensation decisions are made by our Chief Executive Officer in consultation with the Compensation Committee and the Board of Directors, other than with respect to the Chief Executive Officer's compensation, which is determined by the Compensation Committee and the Board of Directors (with Michael Karfunkel abstaining).

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Our Compensation Committee Charter, which describes all of the Compensation Committee's responsibilities, is posted on the Investor Relations section of our website (www.amtrustgroup.com) and is available in print to any shareholder who requests a copy.

The Compensation Committee met three times in 2012.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee identifies and nominates members of the Board of Directors, develops and recommends to the Board of Directors a set of corporate governance principles applicable to it, and oversees the evaluation of the Board of Directors and management.

Our Nominating and Corporate Governance Committee Charter, which describes all of the Nominating and Corporate Governance Committee's responsibilities, is posted on the Investor Relations section of our website (www.amtrustgroup.com) and is available in print to any shareholder who requests a copy.

The Nominating and Corporate Governance Committee met one time in 2012.

Executive Committee

The Executive Committee has responsibilities that include exercising the authority of the Board of Directors with respect to matters requiring action between meetings of the Board of Directors and deciding issues from time to time delegated by the Board of Directors.

The members of our Executive Committee are Mr. Zyskind, who is also the Chairman of the committee, Mr. George Karfunkel and Mr. Michael Karfunkel.

The Executive Committee did not take any action on behalf of the Board of Directors in 2012.

Compensation Committee Interlocks and Insider Participation

During 2012, none of our executive officers or directors was a member of the Board of Directors of any other company where the relationship would be construed to constitute a compensation committee interlock within the meaning of the rules of the SEC. As discussed above under Board Committees' Compensation Committee, the members of our Compensation Committee are Mr. DeCarlo, who is the chairman of the committee, Mr. Miller, who served as our Secretary prior to 2005 and received no compensation for his service, and Mr. Michael Karfunkel.

Director Nomination Process

The Nominating and Corporate Governance Committee weighs the independence, skills, characteristics and experience of potential candidates for election to the Board and recommends nominees for director to the full Board for election. In considering candidates for the Board, the Committee assesses the overall composition of the Board taking into account its representation of skills, backgrounds, diversity and contacts in the insurance industry or other industries relevant to our business. As the application of these factors involves the exercise of judgment, the Nominating and Corporate Governance Committee does not have a standard set of fixed qualifications that is applicable to all director candidates, although the Committee does, at a minimum, assess each candidate's ability to satisfy any applicable legal requirements or listing standards, his or her strength of character, judgment, specific areas of expertise and his or her ability and willingness to commit adequate time to Board and Committee matters. While neither the Committee nor the Board has a formal policy with respect to the consideration of diversity in identifying director nominees, they do consider diversity when evaluating potential Board nominees. They consider diversity to include race, gender and national origin, as well as differences in viewpoint, background, experience and skills.

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In identifying prospective director candidates, the Nominating and Corporate Governance Committee may seek referrals from other members of the Board, management, shareholders and other sources. The Committee also may, but need not, retain a professional search firm in order to assist it in these efforts. The Nominating and Corporate Governance Committee utilizes the same criteria for evaluating candidates regardless of the source of the referral. When considering director candidates, the Committee seeks individuals with backgrounds and qualities that, when combined with those of our incumbent directors, provide a blend of skills and experience to further enhance the Board's effectiveness.

In connection with its annual recommendation of a slate of nominees, the Committee also assesses the contributions of those directors recommended for re-election and other perceived needs of the Board. In 2013, this process resulted in the Committee's recommendation to the Board, and the Board's nomination, of the seven incumbent directors named in this proxy statement and proposed for election by you at the upcoming Annual Meeting.

The Nominating and Corporate Governance Committee will consider director candidates recommended by shareholders. Shareholders wishing to propose a candidate for consideration may do so by submitting the proposed candidate's full name and address, résumé and biographical information to the attention of the Corporate Secretary, AmTrust Financial Services, Inc., 59 Maiden Lane, 6th Floor, New York, New York 10038. All recommendations for nomination received by the Corporate Secretary that satisfy our bylaw requirements relating to such director nominations will be presented to the Nominating and Corporate Governance Committee for its consideration.

Oversight of Risk Management

We are exposed to a number of risks and undertake at least annually an enterprise risk management review to identify and evaluate these risks and to develop plans to manage them effectively. During 2012, our Chief Financial Officer and Chief Audit Executive were directly responsible for our enterprise risk management function and report to the President and Chief Executive Officer and, for this purpose, directly to the Audit Committee. In fulfilling their risk management responsibilities, the Chief Financial Officer and Chief Audit Executive work closely with members of senior management, including the Chief Operating Officer, Chief Legal Officer, General Counsel, Treasurer, and our Internal Audit department. In January 2013, we hired a Chief Risk Officer, who reports to our Chief Financial Officer. The Chief Risk Officer will identify, measure, aggregate and manage key risk exposures within predetermined tolerance levels across the entire organization. Additionally, the Chief Risk Officer will develop a process to ensure we have sufficient capital, optimize capital allocation and have sufficient capital to withstand stressed economic conditions. We expect our Chief Risk Officer to make regular reports to the Audit Committee.

On behalf of the Board of Directors, the Audit Committee plays a key role in the oversight of our enterprise risk management function. In that regard, the Chief Financial Officer and the Chief Audit Executive meet with the Audit Committee at each of their regularly scheduled meetings to discuss the risks facing us, highlighting any new risks that may have arisen since they last met.

Leadership Structure

We have separate individuals serving in the roles of Chairman of the Board and Chief Executive Officer in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting our strategic direction and day-to-day leadership, while the Chairman of the Board provides guidance to the Chief Executive Officer and presides over meetings of the full board. This structure is appropriate to our business because it reflects the industry experience, vision and energy brought to the Board of Directors by our founder, Mr. Michael Karfunkel, and the day-to-day management direction under Mr. Zyskind. The Board's role in risk oversight does not have any effect on the Board's leadership structure.

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Code of Business Conduct and Ethics

All directors, officers, and employees must act ethically at all times and in accordance with our Code of Business Conduct and Ethics. This Code satisfies the definition of "code of ethics" pursuant to the rules and regulations of the SEC and complies with the requirements of NASDAQ. Our Code of Business Conduct and Ethics is posted on the Investor Relations section of our website (www.amtrustgroup.com) and is available in print to any shareholder who requests a copy.

Shareholder Communications

Shareholders and other interested persons may contact the non-management directors individually or as a group by writing to such director(s) at AmTrust Financial Services, Inc., c/o Corporate Secretary, 59 Maiden Lane, 6th Floor, New York, New York 10038. Shareholders may also send communications to one or more members of the Board by writing to such director(s) or to the whole Board at the same address. The Corporate Secretary delivers all such communications to the addressee(s) set forth in the communication.

Table of Contents**COMPENSATION OF DIRECTORS**

We pay an annual retainer of \$80,000 to each of our non-employee directors other than George Karfunkel and Michael Karfunkel. In addition to the annual retainer, each non-employee director other than Messrs. Karfunkel receives a fee of \$2,000 for each meeting of the Board of Directors attended in person, \$1,000 for each meeting of the Board of Directors attended via teleconference, and \$1,000 for each committee meeting attended. Each non-employee director who chairs a committee also receives an annual retainer of \$5,000, as well as \$1,000 for each meeting of such committee of the Board chaired. We also reimburse our directors for reasonable expenses they incur in attending Board of Directors or committee meetings.

In 2012, Mr. Miller and Mr. DeCarlo earned an additional \$72,500 and \$100,000, respectively, for serving as directors on the boards of our subsidiaries.

In addition to the cash compensation described above, in 2012, the Compensation Committee, upon recommendation by the Nominating and Corporate Governance Committee, determined that each of the non-employee directors other than George Karfunkel and Michael Karfunkel would receive a grant of 3,000 restricted stock units (which was then adjusted to 3,300 upon the payment of our 10% stock dividend) that vest over a three-year period in place of the typical annual grant of options to purchase 6,250 shares of our common stock, reflecting our preference, since the adoption of the 2010 Omnibus Incentive Plan, in favor of grants of restricted stock units as compared to stock options. We also grant an option to purchase 12,500 shares of our common stock to new directors upon their election to the Board. Each such option will fully vest one year after the date of grant and have an exercise price equal to the fair market value as of the date of the grant and will expire ten years from the date of the grant. George Karfunkel, Michael Karfunkel and Barry Zyskind do not receive any compensation for serving on our Board of Directors.

The following table sets forth compensation earned by the non-employee members of our Board of Directors during the fiscal year ended December 31, 2012:

Name	Fees Earned or Paid in Cash⁽¹⁾	Stock Awards⁽²⁾	Total
Michael Karfunkel	\$	\$	\$
George Karfunkel			
Donald DeCarlo	221,000	81,741	302,741
Susan Fisch	100,000	81,741	181,741
Abraham Gulkowitz	117,000	81,741	198,741
Jay Miller	174,500	81,741	256,241

- (1) The amounts in this column reflect retainer fees, Board meeting fees and committee fees earned in 2012 for service on our Board of Directors and its committees and, with respect to Mr. DeCarlo and Mr. Miller, for service on the boards of directors of several of our subsidiaries.
- (2) The dollar amounts represent the aggregate grant date fair value of awards of restricted stock units computed in accordance with accounting guidance for share-based payments as discussed in Note 15 to our consolidated financial statements for the year ended December 31, 2012. The grant date fair value of these awards is equal to the closing price of our common stock on the date of grant (\$24.77) multiplied by the number of restricted stock units awarded to each director. Both the closing price and the number of restricted stock units have been adjusted to reflect our 10% stock dividend. At December 31, 2012, each of Messrs. DeCarlo, Gulkowitz and Miller and Ms. Fisch had 3,300 unvested restricted stock units. Unvested restricted stock units are forfeited upon termination of the director's service; however, if the director's termination of service is due to (i) retirement on or after his or her sixty-fifth birthday or, with our consent, on or after his or her fifty-fifth birthday; (ii) disability; or (iii) death, the restricted stock units become fully vested upon such termination of service. In addition, at December 31, 2012, the aggregate number of option awards outstanding for each director was: Mr. DeCarlo 20,625 shares; Ms. Fisch 20,625 shares; Mr. Gulkowitz 48,125 shares; and Mr. Miller 158,125 shares. All of these options are fully vested.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information with respect to the beneficial ownership of our common stock by each person or group known by us to own more than 5% of our common stock. Ownership percentages in this table and the following table are based on [] shares of common stock outstanding as of March 25, 2013. All of the greater than 5% owners have sole voting and investment power over the shares of common stock listed, except as otherwise provided below.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class
Barry D. Zyskind 59 Maiden Lane, 6th Floor New York, New York 10038	6,994,843 ⁽¹⁾	10.4%
George Karfunkel 59 Maiden Lane, 6th Floor New York, New York 10038	15,635,406 ⁽²⁾	23.3%
Michael Karfunkel 59 Maiden Lane, 6th Floor New York, New York 10038	7,580,483 ⁽³⁾	11.3%
Leah Karfunkel 59 Maiden Lane, 6th Floor New York, New York 10038	8,449,565 ⁽⁴⁾	12.6%

- (1) Mr. Zyskind holds 125,000 of these shares of common stock as a custodian for his children under the Uniform Transfers to Minors Act and 352,245 of these shares of common stock in a family trust for which he has sole investment control. The Teferes Foundation, a charitable foundation controlled by Mr. Zyskind, owns 137,075 of these shares of common stock.
- (2) The Chesed Foundation of America, a charitable foundation controlled by Mr. George Karfunkel, owns 7,206,964 of these shares of common stock.
- (3) The Hod Foundation, a charitable foundation controlled by Mr. Michael Karfunkel, owns 6,560,704 of these shares of common stock.
- (4) These shares of common stock are held in The Michael Karfunkel 2005 Grantor Retained Annuity Trust, of which Mrs. Karfunkel is the sole trustee. ACP Re, Ltd., an asset of the Trust that is 100% owned by ACP Re Holdings, LLC, holds 5,500,000 of these shares. ACP Re Holdings, LLC is owned 99.9% by The Michael Karfunkel 2005 Grantor Retained Annuity Trust.

Table of Contents**SECURITY OWNERSHIP OF MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of our common stock by each director, each person named in the Summary Compensation Table under Executive Compensation, and of all our directors and executive officers as a group as of March 25, 2013. For purposes of the table below, derivative securities that are currently exercisable or exercisable within 60 days of March 25, 2013 into common stock are considered outstanding and beneficially owned by the person holding the derivative securities for the purposes of computing beneficial ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. All of the directors and executive officers have sole voting and investment power over the shares of common stock listed or share voting and investment power with his or her spouse, except as otherwise provided below.

Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class
Donald T. DeCarlo	87,066 ⁽¹⁾	*
Susan C. Fisch	24,475 ⁽¹⁾	*
Abraham Gulkowitz	49,225 ⁽¹⁾	*
George Karfunkel	15,635,406 ⁽²⁾	23.3%
Michael Karfunkel	7,580,483 ⁽³⁾	11.3%
Jay J. Miller	159,225 ⁽¹⁾	*
Barry Zyskind	6,994,843 ⁽⁴⁾	10.4%
Ronald E. Pipoly, Jr.	391,910 ⁽¹⁾	*
Max G. Caviet	266,233 ⁽¹⁾	*
Michael J. Saxon	395,029 ⁽¹⁾	*
Christopher M. Longo	504,337 ⁽¹⁾	*
All executive officers and directors as a group (14 persons)	32,333,624 ⁽¹⁾	46.9%

* Less than one percent.

- (1) Includes shares the individuals have the right to acquire upon the exercise of options or the vesting of restricted stock units within 60 days of March 25, 2013: Mr. DeCarlo 20,625 shares; Mr. Gulkowitz 48,125 shares; Ms. Fisch 20,625 shares; Mr. Miller 158,125 shares; Mr. Pipoly 278,053 shares; Mr. Caviet 165,002 shares; Mr. Saxon 261,214 shares; Mr. Longo 484,689 shares; all executive officers and directors as a group 1,632,136 shares.
- (2) The Chesed Foundation of America, a charitable foundation controlled by Mr. George Karfunkel, owns 7,206,964 of these shares of common stock.
- (3) The Hod Foundation, a charitable foundation controlled by Mr. Michael Karfunkel, owns 6,560,704 of these shares of common stock.
- (4) Mr. Zyskind holds 125,000 of these shares of common stock as a custodian for his children under the Uniform Transfers to Minors Act and 352,245 of these shares of common stock in a family trust for which he has sole investment control. The Teferes Foundation, a charitable foundation controlled by Mr. Zyskind, owns 137,075 of these shares of common stock. 1,096,700 of the shares of common stock owned by Mr. Zyskind directly are pledged as collateral in a margin account.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers to file reports of ownership and changes of ownership of our common stock and derivative securities with the SEC. To our knowledge, based solely on our review of copies of reports furnished to us and written representations that no other reports were required, during fiscal year 2012, all Section 16(a) filing requirements applicable to our directors and executive officers and greater than 10% shareholders were timely met.

Table of Contents**PROPOSAL 2: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed the firm of BDO USA, LLP, independent accountants, to be our independent auditors for the fiscal year ending December 31, 2013. Although not required by our bylaws or otherwise, the Board of Directors is submitting the appointment to our shareholders for ratification as a matter of good corporate practice. If our shareholders fail to vote on an advisory basis in favor of the selection, the Audit Committee will reconsider whether to retain BDO USA, LLP, and may retain that firm or another firm without re-submitting the matter to our shareholders. Even if our shareholders ratify the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the interests of our shareholders.

A representative of BDO USA, LLP will be present at the Annual Meeting and will have the opportunity to make a statement if he or she desires to do so and to respond to appropriate questions from shareholders.

Before making its recommendation to the Board for appointment of BDO USA, LLP, the Audit Committee carefully considered that firm's qualifications as independent auditors for us, which included a review of BDO USA, LLP's performance last year, as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee expressed satisfaction with BDO USA, LLP in these respects.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2013.**Audit and Non-Audit Fees**

Our Audit Committee approves the fees and other significant compensation to be paid to our independent auditors for the purpose of preparing or issuing an audit report or related work. Our Audit Committee also preapproves all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed for us by our independent auditors, subject to the de minimis exceptions for non-audit services described in the Exchange Act. Our Audit Committee reviewed and discussed with BDO USA, LLP the following fees for services rendered for the 2012 and 2011 fiscal years and considered the compatibility of non-audit services with BDO USA, LLP's independence. The following table presents the aggregate fees billed for professional services rendered to us by BDO USA, LLP, our principal auditors, and BDO International affiliate firms, for 2012 and 2011. Other than as set forth below, no professional services were rendered or fees billed by BDO USA, LLP or its international affiliates during 2012 and 2011.

BDO USA, LLP	2012	2011
Audit Fees ⁽¹⁾	\$ 2,974,064	\$ 2,852,840
Audit-Related Fees		
Tax Fees ⁽²⁾	236,119	19,443
All Other Fees		
Total	\$ 3,210,183	\$ 2,872,283

(1) Audit fees relate to professional services rendered for the fiscal years ended December 31, 2012 and 2011: (i) the integrated audit of our annual financial statements and internal controls over financial reporting, (ii) the reviews of our consolidated financial statements included in our Form 10-Q quarterly reports, (iii) services performed in connection with filings of registration and proxy statements, (iv) review of SEC correspondence, (v) audits of service organization internal controls, and (vi) the issuance of comfort letters.

(2) Tax fees relate to professional services rendered for the fiscal years ended December 31, 2012 and 2011: (i) tax compliance services, (ii) corporate due diligence and (iii) tax advice.

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Pre-Approval Policies and Procedures of the Audit Committee

Pursuant to its charter, the Audit Committee pre-approves all audit and permitted non-audit services, including engagement fees and terms thereof, to be performed for us by the independent auditors, subject to the exceptions for certain non-audit services approved by the Audit Committee prior to the completion of the audit in accordance with Section 10A of the Exchange Act. The Audit Committee must also pre-approve all internal control-related services to be provided by the independent auditors. The Audit Committee will generally pre-approve a list of specific services and categories of services, including audit, audit-related and other services, for the upcoming or current fiscal year, subject to a specified cost level. In addition, from time to time, we may want the independent auditors to perform additional permitted services that the Audit Committee must pre-approve before the independent auditors can proceed with providing such services. In doing this, the Audit Committee has established a procedure whereby a BDO partner, in conjunction with our Treasurer/Senior Vice President of Finance, will contact the Audit Committee Chairperson and obtain pre-approval (verbally and via email) for such services, to be followed (where appropriate) by a written engagement letter confirming such arrangements, signed by both our Chief Executive Officer and Audit Committee Chairperson. In addition, all audit and permissible non-audit services in excess of 5% over the pre-approved cost level must be separately pre-approved by the Audit Committee.

The Audit Committee may form and delegate to a subcommittee consisting of one or more members (provided that such person(s) are independent directors) its authority to grant pre-approvals of audit, permitted non-audit services and internal control-related services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee's role includes the oversight of our financial, accounting and reporting processes; our system of internal accounting and financial controls; and our compliance with related legal and regulatory requirements. The Audit Committee oversees the appointment, engagement, termination and oversight of our independent auditors, including conducting a review of their independence, reviewing and approving the planned scope of our annual audit, overseeing our independent auditors' audit work, reviewing and pre-approving any audit and non-audit services that may be performed by our independent auditors, reviewing with management and our independent auditors the adequacy of our internal financial and disclosure controls, reviewing our critical accounting policies and the application of accounting principles, and monitoring the rotation of partners of our independent auditors on our audit engagement team as required by law. The Audit Committee establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee's role also includes meeting to review our annual audited financial statements and quarterly financial statements with management and our independent auditors.

Each member of the Audit Committee meets the independence criteria prescribed by applicable law and the rules of the SEC and NASDAQ for audit committee membership and is an independent director within the meaning of applicable NASDAQ listing standards. Each Audit Committee member meets the NASDAQ's financial literacy requirements, and the Board has further determined that Mr. Gulkowitz is an Audit Committee financial expert, as defined in Item 407(d)(5) of Regulation S-K promulgated by the SEC and also meets the NASDAQ's professional experience requirements. The Audit Committee acts pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and NASDAQ, which can be found on the Investor Relations section of our website (www.amtrustgroup.com).

We have reviewed and discussed the audited financial statements with management and with our independent auditors. We met with our independent auditors to discuss results of their examinations, their evaluation of our internal controls, and the overall quality of our financial reporting.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees. In addition, we received the written disclosures from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees and discussed with the independent auditors their independence, including a review of both audit and non-audit fees.

Based upon the review and discussions described in the preceding paragraph, we recommended to our Board that the audited financial statements of the Company be included in the Annual Report on Form 10-K for the year ended December 31, 2012 for filing with the SEC.

February 27, 2013

Abraham Gulkowitz (Chairman)

Donald T. DeCarlo

Susan C. Fisch

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PROPOSAL 3: APPROVAL OF AN AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 100,000,000 SHARES TO 150,000,000 SHARES

The Board of Directors believes that it is advisable and in our best interest to increase the number of authorized shares of common stock in order to have available additional authorized but unissued shares of common stock in an amount adequate to provide for our future needs. The availability of additional authorized but unissued shares will be achieved by effectuating an increase in the number of authorized shares of common stock from 100,000,000 to 150,000,000 shares.

Text of the Amendment

Appendix A to this proxy statement shows the proposed amendment to Section 4.1 of our Amended and Restated Certificate of Incorporation to increase the authorized shares of common stock, with deletions indicated by strike-outs and additions indicated by underlining. If this proposal is approved by our shareholders, we will amend our Amended and Restated Certificate of Incorporation to reflect the revisions contemplated by this proposal as set forth in Appendix A and the resulting Amended and Restated Certificate of Incorporation will become effective upon its filing with the Secretary of State of the State of Delaware, which is anticipated to occur promptly after the meeting.

Reasons for and Effect of the Increase to Authorized Common Stock

As of March 7, 2013, 91,245,674 shares of our common stock, \$0.01 par value per share, were issued, of which 67,357,481 shares were outstanding and 23,888,193 shares were held as treasury shares. Additionally, approximately 8,670,734 shares are reserved for issuance pursuant to our 2010 Omnibus Incentive Plan and 6,925,555 shares are reserved for issuance upon conversion of our 5.50% Convertible Senior Notes due 2021. These shares reserved for issuance may be issued from treasury shares or from unissued shares.

Assuming the increase in the number of authorized shares of common stock was effective as of March 7, 2013, the same number of shares would be outstanding, held as treasury shares, reserved for issuance pursuant to our 2010 Omnibus Incentive Plan and upon conversion of our 5.50% Convertible Senior Notes due 2021 and 58,754,326 shares would be unissued and unreserved, and authorized and available for issuance. Our Board believes that it is in the best interest of the company and our shareholders to increase the number of authorized shares of our common stock in order to maintain sufficient authorized but unissued and unreserved shares available for issuance to meet valid business needs as they arise. Such business needs may include stock dividends or splits, equity financings, acquisitions, adopting new or modifying current employee benefit plans and other proper corporate purposes identified by our Board in the future. If the proposed amendment is approved, the additional shares will be available for issuance from time to time by the company, in the discretion of our Board, without further authorization or vote of our shareholders unless such authorization is required by rules of NASDAQ or any other securities exchange on which shares of our common stock are then listed.

Our Board believes that the proposed amendment to increase the number of authorized shares of common stock will make available a sufficient number of authorized but unissued and unreserved shares should we decide to use shares of our common stock for one or more of the referenced corporate purposes or otherwise. We may seek a further increase in authorized shares from time to time in the future as considered appropriate by our Board of Directors.

The additional shares of common stock to be authorized will become part of the existing class of common stock. This proposal will not affect the rights of the holders of currently outstanding shares of common stock, except for effects incidental to increasing the number of shares of common stock outstanding, such as dilution of the earnings per share and voting rights of current holders of common stock. The additional shares of our common stock for which authorization is sought will have the same par value, voting rights, rights to dividends

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and distributions and will be identical in all other respects to the shares of our common stock currently authorized. Our shareholders do not have preemptive rights with respect to our common stock. Should the board of directors elect to issue additional shares of common stock, existing shareholders would not have any preferential rights to purchase such shares.

Anti-Takeover Effects of the Proposed Amendment

The proposed increase in the number of authorized shares of common stock could be deemed to have an anti-takeover effect by discouraging an attempt by a third party to acquire control of AmTrust because we could issue the additional authorized shares of common stock in an effort to dilute the common share ownership of the person seeking to obtain control or increase the voting power of persons who would support the Board of Directors in opposing the takeover attempt. However, the proposal to increase the authorized number of shares of common stock is not in response to any current effort of which we are aware to obtain control of AmTrust, and given the current common stock ownership of AmTrust, such an effort would likely be unsuccessful even if we did not increase our authorized shares of common stock.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL AND ADOPTION OF THE AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION.

Table of Contents**EXECUTIVE OFFICERS**

The table below sets forth the names, ages and positions of our executive officers:

Name	Age	Position(s)
Barry D. Zyskind	41	Chief Executive Officer, President and Director
Ronald E. Pipoly, Jr.	46	Chief Financial Officer
Max G. Caviet	60	President of AmTrust International Insurance, Ltd. (AII); Chief Executive Officer of AmTrust Europe, Ltd. (AEL)
Michael J. Saxon	54	Chief Operating Officer
Christopher M. Longo	39	Chief Information Officer
David H. Saks	46	Chief Legal Officer
Harry C. Schlachter	56	Treasurer
Stephen B. Ungar	50	Secretary and General Counsel

Set forth below are descriptions of the backgrounds of each of our executive officers, other than Barry D. Zyskind, whose background is described above under Proposal 1 - Election of Directors.

Ronald E. Pipoly, Jr. joined the Company in 2001 and has been Chief Financial Officer since 2005. From 1993 to 2001, Mr. Pipoly served as Financial Analyst, Assistant Controller, and ultimately Controller at PRS Group, Inc., a property and casualty insurance holding company, in Beachwood, Ohio. Mr. Pipoly began his career at Coopers and Lybrand, an accounting firm, where he worked from 1988 through 1993.

Max G. Caviet joined the Company in January 2003 and has been President of AII since 2003 and Chief Executive Officer of AEL since 2010. Mr. Caviet also serves as an officer and director of several of our subsidiaries. Mr. Caviet was President and Chief Executive Officer of Maiden Holdings, Ltd., an insurance company in which our principal shareholders have significant interests, from May 2007 until November 2008, and was a director of Maiden Holdings, Ltd. from May 2007 until April 2009. From 1994 to 2003, Mr. Caviet was Engineering and Underwriting Manager with Trenwick International Limited. From 1990 to 1994, Mr. Caviet was with Crowe Underwriting Agency Ltd. as its Engineering and Extended Warranty Underwriter. In 1982, Mr. Caviet joined CIGNA Insurance Company of North America (UK) Ltd. as a Senior Underwriter for Special Risks and was promoted to Engineering and Underwriting Manager. Between 1972 and 1982, Mr. Caviet was an underwriter and team leader, specializing in engineering risks, at British Engine Insurance Company.

Michael J. Saxon joined the Company in 2001 and has been Chief Operating Officer since 2005. Prior to joining the Company, he was Chief Claims Officer for Credit General Insurance Company, a property and casualty insurer. In 1984, Mr. Saxon began his career at Liberty Mutual, an insurance company. Thereafter, Mr. Saxon joined Progressive Insurance Company, where he held successively more responsible management positions in the Claims Department over an eight-year period.

Christopher M. Longo joined the Company in 2001 and has been Chief Information Officer since 2006. Prior to joining the Company, Mr. Longo was a commercial lines underwriter and actuarial analyst with Credit General Insurance Company.

David H. Saks, Chief Legal Officer, joined the Company in May 2009. From April 1999 to May 2009, Mr. Saks held a number of positions at American International Group, Inc., an insurance company. His responsibilities included overseeing the legal aspects of all of AIG's domestic and international mergers and acquisitions, joint ventures and strategic investments. In addition, Mr. Saks was responsible for overseeing the legal aspects of AIG's operations and systems, e-commerce, sourcing and real estate leasing. Mr. Saks began his career at Simpson Thacher & Bartlett, where he worked from December 1994 through March 1999.

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Harry C. Schlachter joined the Company in 2001 and has been Senior Vice President of Finance and Treasurer since 2007. In addition to his position as our Senior Vice President of Finance and Treasurer, Mr. Schlachter also serves as an officer and director of many of our subsidiaries and as one of our two appointees to American Capital Acquisition Corporation's Board of Directors. Mr. Schlachter began his career as Controller at Capri Optics Inc., and between 1982 and 1986 served as Tax Department Manager for Main Hurdman. From 1986 to 2000, he was at Saul N. Friedman & Co. where he held the position of Tax Partner. Mr. Schlachter is a Certified Public Accountant.

Stephen B. Ungar joined the Company in 2001 and has been Secretary since 2005 and General Counsel since 2001. Mr. Ungar also serves as an officer and director of many of our subsidiaries. From 1990 to 2001, Mr. Ungar served as Special Counsel and Managing Attorney with the State of New York Insurance Department. Between 1987 to 1990, Mr. Ungar was an associate at Hendler and Murray and Kroll and Tract in New York.

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, has recommended to the Board that the following Compensation Discussion and Analysis be included in the Proxy Statement and incorporated by reference in our Annual Report on Form 10-K.

March 13, 2013

Donald T. DeCarlo (Chairman)

Michael Karfunkel

Jay J. Miller

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COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis explains the material elements of the compensation awarded to, earned by, or paid to each of our named executive officers during the last completed fiscal year.

Overview

The objectives of our executive compensation policy have been to retain the executives who have been integral to our growth, to attract other talented and dedicated executives and to motivate each of our executives to increase our overall profitability. To achieve these goals, we have strived to offer each executive an overall compensation package, which is simple, but competitive and retentive and a meaningful portion of which is tied to the achievement of specific objectives.

Our overall strategy is to compensate our named executive officers with a mix of cash compensation, in the form of base salary and bonus, and equity compensation, in the form of stock options, performance shares, restricted stock or restricted stock units.

Our policy for setting compensation levels has focused on compensating our named executive officers at levels we believe, based on our independent research and gathering of data, are competitive for executives at companies of similar size and development operating in the industry, taking into account company performance. Compensation decisions have been made by our Chief Executive Officer in consultation with the Compensation Committee and the Board of Directors, other than with respect to the Chief Executive Officer's compensation, which has been determined by the Compensation Committee. In addition to frequent discussions between the Chief Executive Officer and the Board of Directors, we also gather market compensation data through negotiations related to newly hired executives. In 2012, senior management retained a compensation consultant, Strategic Executive Compensation Consultants, to assist with the formulation and recommendation of the performance award the Compensation Committee awarded to Mr. Zyskind, as discussed below under 2012 Equity Award to CEO. Strategic Executive Compensation Consultants provided no additional services to us in 2012. We reviewed the newly promulgated independence factors and found no conflict of interest existed with our compensation consultant.

We believe that the compensation levels for our named executive officers are competitive and do not encourage them to take unnecessary or excessive risks. We expect that as we continue to progress, our compensation policies will evolve to reflect our achievements and to remain competitive.

Executive Compensation

Our executive compensation policy includes the following elements:

Base Salary. The base salaries we provide to our named executive officers are designed to provide an annual salary at a level consistent with individual experience, skill and contribution to our business. When setting base salary, we consider the totality of the circumstances with respect to each individual and do not adjust base salaries to arrive at a targeted percentile (whether at or above market) based on peer group data.

Pursuant to the terms of their respective employment agreements, the salaries of the named executive officers are reviewed on an annual basis and the ultimate decision on where to set the base salaries for our named executive officers is determined as described above under Overview. We set base salaries (other than the Chief Executive Officer's) primarily based on our Chief Executive Officer's recommendations and his assessment of each named executive officer's individual performance and contribution to our overall profitability, and the operational performance of the segments or part of the business for which the named executive officer has responsibility. In evaluating these factors, Mr. Zyskind relies upon his independent judgment, data gathered from his discussions with newly hired employees and his knowledge of our industry to determine the ultimate amount of each named executive officer's annual base salary, taking into account each person's pivotal role in driving

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our growth-oriented business strategies, and then makes recommendations to our Compensation Committee. Messrs. Caviet, Saxon, Pipoly and Longo each received a salary increase effective March 5, 2013, but before then had not received salary increases since January 1, 2011 for Mr. Caviet and January 1, 2010 for Messrs. Saxon, Pipoly and Longo. Mr. Zyskind's salary has not changed since 2010. We believe our financial performance reflects the loyalty and team commitment of our named executive officers, who all have been with us at least ten years and who joined us at lower, and what we believe was below market, compensation levels that reflected our small size at that time. These key members of our management team are essential to our organization and their salary levels reflect our Chief Executive Officer's determination of the appropriate compensation necessary to retain each of them. With respect to our Chief Executive Officer, his salary level also reflects his primary role in the growth of the Company.

Bonus. We believe that bonuses should be dependent on and tied to our financial performance, and should only be paid in the event of superior performance. Our bonus policy is designed to reward each named executive officer for his contributions to our profitability for the fiscal year. Except for Mr. Pipoly, the employment agreements for our named executive officers specify the annual bonus targets for each executive. In December 2012 and March 2013, the Compensation Committee approved the bonus payments for our named executive officers for the 2012 fiscal year.

Annual profit bonuses paid to each named executive officer, other than Mr. Pipoly, are equal to a pre-determined percentage of profits, as set forth in their respective employment agreements described below. Each such named executive officer's profit bonus is subject to an annual cap, based on a multiple of the officer's base salary for the respective fiscal year, as set forth in their respective employment agreements described below. We increased the bonus caps when we entered into the new employment agreements in 2010 because we felt the prior bonus caps did not provide us with enough flexibility to reward these named executive officers for their contributions to our performance. The bonus caps provide the named executive officers with more potential upside, but they have to produce, year after year, in order to achieve the full benefit. The annual profit bonuses for Messrs. Zyskind, Caviet, Saxon and Longo are subject to the Company meeting certain percentage increases over profit thresholds. Mr. Pipoly's bonus is determined in a different manner (as described below) because we do not believe it would be appropriate for the Chief Financial Officer's bonus to be directly based on our financial results. Each named executive officer is also eligible to receive a discretionary bonus, as determined by our Compensation Committee. The bonus payable to our named executive officers, other than Mr. Zyskind, can be paid in cash or stock options, restricted stock, restricted stock units or other form of equity, as determined by our Compensation Committee in its sole discretion, provided that no less than one-third of the bonus will be payable in equity. Mr. Zyskind's annual profit bonus is payable only in cash, but he is eligible to receive special bonuses at the discretion of the Compensation Committee that could be payable in cash or equity.

Mr. Zyskind's employment agreement provides an annual profit bonus equal to two percent (2%) of our pre-tax profits for the fiscal year, provided that our pretax profit equals or exceeds \$75 million, subject to an annual cap of three times his base salary. Profit is defined in Mr. Zyskind's employment agreement as our revenues less expenses, determined in accordance with generally accepted accounting principles on a consistent basis. Our pre-tax profits for fiscal year 2012 were \$224.9 million, 2% of which is approximately \$4.5 million. Therefore, Mr. Zyskind's bonus was capped at three times his base salary, which was \$2,925,000.

Mr. Caviet's annual profit bonus is equal to ten percent (10%) of our pre-tax net operating income, exclusive of extraordinary items and investment income or loss, arising from specialty risk and extended warranty business written by us and our affiliates under the direct or indirect supervision of Mr. Caviet, as long as the profits are no less than 75% of the greater of the profits in the preceding calendar year or the base line profit from calendar year 2008. The profit bonus may not exceed the profit bonus cap, which is an amount equal to (x) three times Mr. Caviet's then current base salary if the subject profits are more than 110% of the profit target; (y) two times Mr. Caviet's then current base salary if the subject profits are 110% or less, but greater than 100% of the profit target; and (z) Mr. Caviet's then current base salary if the subject profits are 100% or less, but equal to or greater than 75% of the profit target. For fiscal year 2012, 10% of the 2012 pre-tax operating income of \$36.3 million, which was 207% of the profit target of \$17.4 million, was \$3,633,739. Mr. Caviet's

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annual bonus was capped at three times his annual base salary (\$2,139,615). Pursuant to the terms of his employment agreement, Mr. Caviet received two-thirds of his annual bonus in cash and one-third in restricted stock units.

The employment agreements for Mr. Saxon and Mr. Longo provide that the annual profit bonus will be equal to one percent (1%) of our profits for the fiscal year, as long as the profit is no less than 75% of the greater of our profit for the preceding calendar year or the base line profit for the year ended December 31, 2009. The profit bonus may not exceed the profit bonus cap, which is an amount equal to (x) three times the executive's then current base salary if the subject profits are more than 110% of the profit target; (y) two times the executive's then current base salary if the subject profits are 110% or less, but greater than 100% of the profit target; and (z) the executive's then current base salary if the subject profits are 100% or less, but equal to or greater than 75% of the profit target. Subject profit is defined in Mr. Saxon's and Mr. Longo's employment agreements as our after tax net income, excluding investment gains and losses and extraordinary and non-recurring income. For fiscal year 2012, this amount was more than 100% but not in excess of 110% of the profit target of \$171.0 million. One percent of the 2012 profits of \$172.1 million (\$1,721,494) exceeded the bonus cap for Mr. Saxon and Mr. Longo. Therefore, Mr. Saxon's annual profit bonus was capped at two times his annual base salary (\$1,200,000) and Mr. Longo's annual profit bonus was capped at two times his annual base salary (\$1,000,000). In addition, the Compensation Committee, upon recommendation from our Chief Executive Officer, awarded each of Mr. Saxon and Mr. Longo a discretionary bonus of \$600,000 and \$650,000, respectively, in recognition of the company's superior performance in 2012 and their respective contributions to the integration of the new businesses we acquired in 2011 and 2012, the resulting increases in the scope of their respective responsibilities and because neither Mr. Saxon nor Mr. Longo had received a salary increase since January 2010, which meant the cap on their annual profit bonuses had remained constant. Pursuant to the terms of their respective employment agreements, each of Mr. Saxon and Mr. Longo received two-thirds of their annual profit and discretionary bonuses in cash and one-third in restricted stock units.

Mr. Pipoly's employment agreement provides that his annual bonus will be equal to an amount comparable to our other senior executives, subject to a cap of three times his annual salary. In addition to the annual incentive bonus, under the terms of his employment agreement, Mr. Pipoly is also eligible for a discretionary bonus, as determined each fiscal year by the Compensation Committee. For fiscal year 2012, Mr. Pipoly's bonus was \$1,700,000, reflecting an annual bonus capped at three times his annual salary (\$1,500,000) and a discretionary bonus of \$200,000. This bonus was comparable to the bonuses we paid to our other named executive officers and reflects our growth, both organically and through acquisitions, and Mr. Pipoly's contribution to that growth and the company's superior performance, as well as the resulting increase in the scope of his responsibilities and his contribution to our investor relations responsibilities. Pursuant to the terms of his employment agreement, Mr. Pipoly received two-thirds of his annual incentive and discretionary bonuses in cash and one-third in restricted stock units.

The bonuses awarded to each named executive officer for 2012 are shown below in the Summary Compensation Table for Fiscal Year 2012 in the Bonus, Non-Equity Incentive Plan Compensation and Stock Awards columns and in the Grants of Plan-Based Awards for Fiscal Year 2012 table.

2012 Equity Award to CEO

In February 2012, in recognition of the leading role Mr. Zyskind plays in our growth and profitability and the milestones we achieved for fiscal year 2011 and the five-year period ended December 31, 2011, under Mr. Zyskind's direction, in gross written premium, operating earnings, net income, return on equity, book value per share, and share price and to address the fact that we had never made any equity awards to Mr. Zyskind, the Compensation Committee approved a new equity award of 550,000 shares of stock to Mr. Zyskind. This award was denominated equally between restricted and performance shares as follows:

Restricted Shares - 275,000 restricted shares (with a value at grant of \$6,812,500), vesting 25% on the first four anniversaries of the award in each of 2013, 2014, 2015 and 2016; and

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Performance Shares - A target share award of 275,000 performance shares (the *Performance Shares*). These *Performance Shares* are to be earned based upon our performance in return on equity (*ROE*) and operating income, as adjusted, for the 24-month period commencing January 1, 2012 and ending December 31, 2013, and will vest in two equal installments on December 31, 2014 and 2015. While we have not historically found it necessary to utilize the services of a compensation consultant for our general compensation programs, after the Compensation Committee determined the size of the equity award, management did consult with, and received advice from, Strategic Executive Compensation Consultants, an independent compensation consultant, regarding the structure of the *Performance Share* award discussed below. The consultant provided information with respect to award architecture, suggested alternatives regarding structure and performance criteria for Mr. Zyskind's performance award, and advised us regarding certain tax and accounting issues with respect to equity awards in general and on certain other disclosure items contained in this proxy statement. When establishing the performance award, the Compensation Committee considered the totality of the circumstances with respect to Mr. Zyskind's performance and did not structure his performance award to correspond to any specific percentile or peer group.

Performance Share Award

The Compensation Committee designed the *Performance Share* award to reward Mr. Zyskind for tangible business results achieved during the 24-month period from January 1, 2012 through December 31, 2013 based on achieving *ROE* and *Operating Income* (as adjusted) (*Adjusted Operating Income*) goals. For Mr. Zyskind to achieve the performance criteria, we must accomplish these goals within our traditional limitations on combined ratio, which may not exceed 95% for the two-year period ended December 31, 2013 (*Combined Ratio Limitation*). The Compensation Committee set target performance levels for this award of compounded *ROE* of 15% (based upon our traditional *ROE* goal) and aggregate *Adjusted Operating Income* of \$353 million for the two-year period ended December 31, 2013. We must achieve threshold performance of *ROE* equal to or in excess of 12%, and 24-month *Adjusted Operating Income* must exceed \$318 million for the two-year period ended December 31, 2013, or Mr. Zyskind will not receive any award of *Performance Shares*.

Operating income is a non-GAAP financial measure that we believe is a useful indicator of trends in our underlying operations because it provides a more meaningful representation of our earnings power than net income, the comparable GAAP financial measure. For purposes of this performance award, we will calculate *Adjusted Operating Income* as net income less: (a) gain or loss on life settlement contracts (exclusive of non-controlling interest, net of tax); (b) realized gains or losses on investments, net of tax; (c) gain or loss on investment in unconsolidated subsidiary, net of tax; (d) gain or loss on acquisitions, net of tax; (e) foreign currency gain or loss; and (f) non-cash amortization of certain intangible assets.

The *Performance Share* award will provide for potential outcomes ranging from 0% of the target *Performance Share* award if Mr. Zyskind fails to meet either of the threshold performance requirements in two-year compounded annual *ROE* (12% compounded annually) or the two-year aggregate *Adjusted Operating Income* target (\$318 million, as adjusted), or breaches the *Combined Ratio Limitation*, to 150% of the target *Performance Share* award (412,500 shares) for superior performance of two-year compounded annual *ROE* of 21% or more and *Adjusted Operating Income* of \$459 million (130% of the two-year aggregate *Adjusted Operating Income* target) while staying within the *Combined Ratio Limitation*. The Compensation Committee established the targets for this *Performance Share* award consistent with our historic strategic approach of encouraging significant returns on stockholders' equity of 15% or more, within a responsible approach to risk management. To arrive at the aggregate 24-month goal for *Adjusted Operating Income*, the Compensation Committee set operating income targets based on results for the year ended December 31, 2011, assuming 10% growth in each of 2012 and 2013. As of the midway point of the two-year performance period, Mr. Zyskind is on target to receive the target *Performance Share* award.

Once earned, the *Performance Share* award will be settled in shares of restricted stock that are subject to additional vesting conditions. Settled shares will vest 50% on December 31, 2014 and 50% on December 31,

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2015, provided that Mr. Zyskind remains employed with or in service of the Company through each of these dates, respectively. The Compensation Committee believes this will create additional retention incentives for Mr. Zyskind. If Mr. Zyskind's service terminates prior to the settlement date by reason of death, disability, by us without cause, or by Mr. Zyskind for good reason, then on the settlement date, Mr. Zyskind will receive the restricted stock that he would have received if he had remained in service on the settlement date, based on the actual level of achievement of the performance metric, and 50% of such shares of restricted stock will vest, while any remaining unvested restricted stock will be forfeited.

The Compensation Committee believes that the award of Performance Shares creates an important additional incentive for Mr. Zyskind to continue to create shareholder value in the long run, without creating additional compensation-based risk, and that the award promotes retention of Mr. Zyskind. The Compensation Committee also believes that using a two-year performance period helps to diversify our current compensation scheme where the large majority of Mr. Zyskind's compensation is based on single year results.

Amendments to 2010 Omnibus Incentive Plan

Although the Plan permitted the Compensation Committee to make cash-denominated performance awards of up to \$6 million, it did not allow the Compensation Committee to make a performance award denominated in shares in excess of the restricted stock award made in February 2012. For this reason, we asked our shareholders to approve amendments to the Plan at our 2012 Annual Meeting of Shareholders. The amendments, as approved by our shareholders, allow us to achieve the objectives of our compensation strategy, as well as significant tax benefits.

Stock and Stock-Based Grants

Stock-based awards are a critical component of our executive compensation policy as equity ownership helps closely align our named executive officers' interests to those of our shareholders. We established the Plan to award our employees and named executive officers with proprietary interests in the Company and to provide an additional incentive to promote our success and to remain in our service. The Plan authorizes us to grant incentive stock options, non-qualified stock options, performance shares, restricted stock and restricted stock unit awards to our employees, officers, directors and consultants. All of our full-time employees are eligible to participate in the Plan at the discretion of our Compensation Committee, which oversees the administration of the Plan.

Restricted Stock. The Compensation Committee has made, and may in the future elect to make, grants of restricted stock to our named executive officers. Under the Plan, unless otherwise determined by the Board of Directors and provided in the award agreement, 25% of the restricted stock vests on each of the first four anniversaries of the grant date, based on continued employment. In addition, unvested restricted stock has both dividend and voting rights. As discussed above under "2012 Equity Award to CEO," on February 15, 2012, the Compensation Committee granted 275,000 shares of restricted stock to Mr. Zyskind as a special, discretionary bonus.

Restricted Stock Units. The Compensation Committee has made, and may in the future elect to make, grants of restricted stock units to our named executive officers. Under the Plan, unless otherwise determined by the Board of Directors and provided in the award agreement, 25% of the restricted stock units vest on each of the first four anniversaries of the grant date, based upon continued employment. As discussed above under "Bonus," on March 5, 2013, the Compensation Committee granted 20,532 restricted stock units to Mr. Caviat, 17,272 restricted stock units to Mr. Saxon, 16,312 restricted stock units to Mr. Pipoly, and 15,832 restricted stock units to Mr. Longo, which in each case represents one-third of each officer's annual profit bonus and discretionary bonus for 2012.

Retirement Plan. We do not provide a qualified or non-qualified pension plan for our named executive officers. All of our U.S.-based employees who have been employed for at least six months, however, are eligible

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to participate in a defined contribution plan under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to defer up to 75% of their compensation to the plan on a pre-tax basis, subject to the applicable dollar limit set by the Internal Revenue Service. We make a Company contribution of up to 50% of an employee's contribution to the plan, up to 6% of eligible compensation. We may also make discretionary profit sharing contributions to all participants in the Plan. No discretionary profit sharing contributions were made in 2012.

Change of Control and Severance Arrangements. The employment agreements in effect for each of our named executive officers do not contain change of control provisions, nor do we maintain change of control agreements with any of our named executive officers. However, our form of award agreements for stock options, restricted stock, restricted stock units and performance shares allow the Compensation Committee, in its discretion, to accelerate the vesting of unvested awards upon a change of control. Mr. Zyskind's and Mr. Caviet's employment agreements, which are discussed in more detail below, provide certain severance benefits should they be terminated without cause and, with respect to Mr. Zyskind, should he terminate his employment agreement for good reason. Mr. Caviet's severance benefits are tied to non-solicitation provisions. We do not provide any other severance benefits.

Perquisites and Other Benefits. As a general matter, we limit the use of perquisites in compensating our senior management. We do, however, cover the full cost of health insurance premiums for Mr. Zyskind and his family and Mr. Caviet, and provide Mr. Caviet with individual life insurance and permanent health insurance coverage should he become disabled. We also reimburse Mr. Zyskind and Mr. Caviet for use of an automobile and related expenses. The amount of Mr. Zyskind's and Mr. Caviet's health and automobile benefits are shown below in the Summary Compensation Table for Fiscal Year 2012.

We also maintain a number of health and welfare programs to provide life, health and disability benefits to our employees. Other than with respect to the benefits we provide to Mr. Zyskind discussed above, our named executive officers in the U.S. participate in these plans on the same terms as other U.S. employees. In addition to the benefits discussed above, Mr. Caviet participates in the employee benefits offered for employees of our U.K. affiliates.

Other Compensation. The employment agreements entered into with our named executive officers will remain in their current form until such time as the Board of Directors determines, in its discretion, that revisions are appropriate. In addition, we intend to continue to maintain our current benefits and perquisites for our named executive officers; however, the Board of Directors, in its discretion, may modify, amend or add to a named executive officer's executive benefits or perquisites.

Tax Deductibility of Executive Compensation

Limitations on deductibility of compensation may occur under Section 162(m) of the Internal Revenue Code, which generally limits to \$1 million the tax deductibility of compensation paid by a public company to its chief executive officer and to any of the other four most highly compensated executive officers. Section 162(m) provides an exception to this deduction limit for performance-based compensation that meets certain requirements. Two types of compensation can qualify as performance-based compensation under Section 162(m): (i) annual bonuses and other incentive awards, if they are payable or vest based on achievement of objective performance goals under a plan that meets the Section 162(m) requirements, and (ii) stock options and stock appreciation rights, if they are granted under a shareholder approved plan that meets certain criteria. To the extent our compensation policy can be implemented in a manner that maximizes the deductibility of compensation we pay, the Compensation Committee seeks to do so, subject to the contractual obligations to executives in particular cases. However, the Compensation Committee reserves the right to provide compensation that would not qualify as performance-based if, in its sole discretion, doing so advances our business objectives.

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2011 Say on Pay Vote

At our 2011 Annual Meeting of Shareholders, we held our first shareholder advisory vote on the compensation of our named executive officers, referred to as say on pay. In that vote, shareholders approved the compensation of our named executive officers, with over 99% of the shares voted on this matter casting votes in favor of our program. The Compensation Committee reviewed these results with management and with the full Board of Directors. Due to the strong level of shareholder support and the absence of specific shareholder concerns, the Compensation Committee determined that no specific actions were warranted as a result of the 2011 say-on-pay vote. Our next say-on-pay vote will occur at our 2014 Annual Meeting of Shareholders.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table for Fiscal Year 2012**

The following table sets forth information with respect to the annual and long-term compensation earned in fiscal years 2012, 2011 and 2010 by our named executive officers. Our named executive officers include our chief executive officer, our chief financial officer and our three other most highly compensated executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$) ⁽⁶⁾	Total (\$)
Barry D. Zyskind Chief Executive Officer	2012	\$ 975,000	\$	\$ 14,177,500 ⁽³⁾	\$ 2,925,000	\$ 43,417	\$ 18,120,917
	2011	975,000			2,925,000	42,310	3,942,310
	2010	975,000			2,925,000	35,287	3,935,287
Ronald E. Pipoly, Jr. Chief Financial Officer	2012	500,000	133,333	566,679	1,000,000 ⁽⁵⁾	7,500	2,207,512
	2011	500,000		500,092	1,000,000 ⁽⁵⁾	7,350	2,007,442
	2010	483,333		509,222	733,334 ⁽⁵⁾	7,350	1,733,239
Max G. Caviat President of AII; Chief Executive Officer of AEL	2012	731,666 ⁽⁴⁾		713,282	1,426,410 ⁽⁵⁾	32,145 ⁽⁴⁾	2,903,503
	2011	697,059 ⁽⁴⁾		580,207	1,160,356 ⁽⁵⁾	30,304 ⁽⁴⁾	2,467,926
	2010	543,340 ⁽⁴⁾	155,240	566,079	704,511 ⁽⁵⁾	30,384 ⁽⁴⁾	1,999,554
Michael J. Saxon Chief Operating Officer	2012	600,000	400,000	600,029	800,000 ⁽⁵⁾	7,500	2,407,529
	2011	600,000		569,961	1,139,887 ⁽⁵⁾	7,350	2,317,198
	2010	583,333		613,776	800,000 ⁽⁵⁾	7,350	2,004,459
Christopher M. Longo Chief Information Officer	2012	500,000	433,333	550,004	666,667 ⁽⁵⁾	7,500	2,157,504
	2011	500,000		500,092	1,000,000 ⁽⁵⁾		2,000,092
	2010	483,333		475,842	666,667 ⁽⁵⁾	7,350	1,633,192

- (1) This column includes a discretionary cash bonus paid to Mr. Caviat of £100,000 in 2010 converted using the spot market currency exchange rate in effect on December 31, 2010, which was \$1.5524 to £1.00, and discretionary cash bonuses paid to Messrs. Pipoly, Saxon and Longo for 2012.
- (2) Represents the aggregate grant date fair value of awards of restricted stock and restricted stock units computed in accordance with accounting guidance for share-based payments. The grant date fair value of these awards is equal to the closing price of our common stock on the date of grant (March 5, 2013 - \$34.74; February 15, 2012 - \$24.77; February 15, 2011 - \$17.40; March 22, 2010 - \$12.95) multiplied by the number of shares of restricted stock or restricted stock units awarded to each named executive officer.
- (3) Represents the aggregate grant date fair value of awards of restricted stock and performance shares computed in accordance with accounting guidance for share-based payments as discussed in Note 15 to our consolidated financial statements for the year ended December 31, 2012. The grant date fair value of Mr. Zyskind's restricted stock award is equal to the closing price of our common stock on the date of grant (February 15, 2012 - \$24.77) multiplied by the number of shares of restricted stock awarded to Mr. Zyskind. The grant date fair value of Mr. Zyskind's performance share award is equal to the closing price of our common stock on the date of grant (May 24, 2012 - \$26.78) multiplied by the target number of performance shares awarded to Mr. Zyskind, which we believe to be the probable outcome of the performance conditions. We did not incorporate any risk of forfeiture into the calculation. If Mr. Zyskind were to achieve the highest level of performance conditions, the grant date fair value would be \$11,046,750.
- (4) Salary and all other compensation were paid in British pounds, but converted to U.S. dollars using the spot market currency exchange rate in effect on December 31, 2012, 2011, and 2010, which was \$1.625924 to £1.00, \$1.54902 to £1.00 and \$1.5524 to £1.00, respectively. All other amounts are paid in U.S. dollars.
- (5) As described in Compensation Discussion and Analysis, the amounts presented in this column represent the two-thirds cash portion of each named executive officer's annual incentive bonus. The remaining one-third of the annual incentive bonus was paid in restricted stock units and is presented in the Stock Awards column (see footnote 2).
- (6) The amounts in this column for Messrs. Pipoly, Saxon and Longo reflect matching contributions made by us under our 401(k) plan. The amount shown in this column for Mr. Zyskind also includes matching contributions made by us under our 401(k) plan in the amount of \$7,500, payments made by us for Mr. Zyskind's use of an automobile in the amount of \$10,771 and the cost of health and dental coverage

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paid by us for Mr. Zyskind and his covered dependents in the amount of \$25,146. The amount shown in this column for Mr. Caviet includes reimbursement of payments on an automobile leased by Mr. Caviet in the amount of \$12,302, the cost of health and dental coverage paid by us for Mr. Caviet in the amount of \$1,288, the annual premium paid by us for individual life insurance and permanent health insurance coverage for Mr. Caviet in the amount of \$9,761 and \$8,794 for serving as a director of our subsidiary, AmTrust Underwriters Insurance Limited.

Table of Contents**Grants of Plan-Based Awards for Fiscal Year 2012**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$) ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards (#) ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽¹⁾	Grant Date Fair Value of Stock Awards (\$) ⁽⁷⁾
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Barry D. Zyskind									
<i>Annual Bonus</i> ⁽³⁾	2/15/12	\$	\$ 1,500,000	\$ 2,925,000				275,000	\$ 6,812,500
<i>Performance Award</i> ⁽²⁾	5/24/12				137,500	275,000	412,500		7,365,000
Ronald E. Pipoly, Jr.									
<i>Annual Bonus</i> ⁽⁴⁾	3/5/13			1,500,000				16,312	566,679
Max G. Caviet									
<i>Annual Bonus</i> ⁽⁵⁾	3/5/13		713,205	2,139,615				20,532	713,282
Michael J. Saxon									
<i>Annual Bonus</i> ⁽⁶⁾	3/5/13		600,000	1,200,000				17,272	600,029
Christopher M. Longo									
<i>Annual Bonus</i> ⁽⁶⁾	3/5/13		500,000	1,000,000				15,832	550,004

- (1) Each named executive officer's employment agreement, other than Mr. Pipoly's, provides for an annual bonus equal to a pre-determined percentage of the company's profits. See Compensation Discussion and Analysis Executive Compensation Bonus for further explanation of the calculation of these bonuses for 2012. For 2012, Messrs. Pipoly, Saxon and Longo each also received a discretionary bonus. Each named executive officer, other than Mr. Zyskind, received one-third of the bonus listed in this column of the table and the discretionary bonus in restricted stock units as shown in the All Other Stock Awards column of this table. For the portion of the annual and discretionary bonus paid in cash, see the Bonus and Non-Equity Incentive Plan Compensation columns of the Summary Compensation Table for Fiscal Year 2012. This column also includes Mr. Zyskind's restricted share grant.
- (2) Mr. Zyskind received an award of performance shares to be earned based upon the company's performance in ROE and operating income, as adjusted, for the 24-month period commencing January 1, 2012 and ending December 31, 2013, that will vest in two equal installments on December 31, 2014 and 2015. The Compensation Committee granted this award to Mr. Zyskind on March 27, 2012, but the grant was not effective until May 24, 2012 once our shareholders approved an amendment to our 2010 Omnibus Incentive Plan that permitted this award.
- (3) Mr. Zyskind is entitled to an annual bonus of 2% of our pre-tax profits for the fiscal year, provided that our pre-tax profits equals or exceeds \$75 million, which would give him a bonus in the amount of \$1,500,000, and subject to a cap of three times his annual base salary, which would give him a bonus in the maximum amount of \$2,925,000. For fiscal year 2012, our pre-tax profits were \$224.9 million, so the maximum bonus Mr. Zyskind could receive was three times his annual base salary.
- (4) Mr. Pipoly's annual bonus has no threshold or target, but cannot be more than three times his annual base salary. In 2012, one-third of Mr. Pipoly's bonus was paid in restricted stock units.
- (5)

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Mr. Caviet is entitled to an annual bonus of 10% of the pre-tax net operating income arising from the specialty risk and extended warranty business under his direct or indirect supervision, provided that the pre-tax net operating income equals or exceeds 75% of the greater of the profit for the preceding calendar year or the base line profit in 2008, subject to a cap of a multiple of Mr. Caviet's annual base salary. The cap for fiscal year 2012 was three times Mr. Caviet's annual base salary, which was \$2,139,615, because the pre-tax net operating income arising from the specialty risk and extended warranty business under his direct or indirect supervision was more than 110% of his profit target of \$17.4 million. In 2012, one-third of Mr. Caviet's bonus was paid in restricted stock units.

- (6) Mr. Saxon and Mr. Longo are entitled to annual bonuses of 1% of our profits for the fiscal year, as long as the profit is no less than 75% of the greater of our profit for the preceding calendar year or our base line profit for fiscal year 2009. If the profits were equal to or greater than 75% of our profit for fiscal year 2011, Mr. Saxon and Mr. Longo would have been entitled to an annual bonus equal to their respective current annual salaries. Since the profits for fiscal year 2012 were greater than 100% but not in excess of 110% of the profit for the preceding calendar year, both Mr. Saxon's and Mr. Longo's annual bonuses were capped at two times their respective current annual salaries, with one-third of the bonus paid in restricted stock units.

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- (7) The grant date fair value of the restricted stock unit awards and performance award is equal to the closing price of our common stock on the date of grant, multiplied by the number of restricted stock units or performance shares granted to each named executive officer. The restricted stock units listed for Messrs. Pipoly, Saxon and Longo include one-third of each of their respective discretionary bonuses received for 2012.

Annual Value Realized for Awards of Restricted Stock Units and Performance Shares

As discussed in Compensation Discussion and Analysis 2012 Equity Award to CEO, in February 2012, our Compensation Committee determined to make a discretionary equity incentive award to Mr. Zyskind with a grant date fair value of \$14.17 million, which consisted of \$6.81 million in 275,000 shares of restricted stock (post dividend adjustment) vesting in four equal installments over a four-year period, and \$7.36 million in 275,000 performance shares (target value) for a 24-month performance award, vesting in two equal installments on the third and fourth anniversaries of the grant date, as earned in accordance with the applicable performance criteria. Under current SEC reporting rules, the grant date fair value of the entire award must be reported in both the Summary Compensation Table for Fiscal Year 2012 and the Grants of Plan-Based Awards for Fiscal Year 2012 in the year of grant and be attributable to the 2012 operating period, even though this discretionary award is meant to cover a longer time and service period.

For this reason, we are providing the following alternative Summary Compensation Table that we believe more accurately reflects the compensation earned by our named executive officers during 2012. The values in this table differ from the values disclosed in the Summary Compensation Table for Fiscal Year 2012 prepared in accordance with SEC rules and included on page 28 of this proxy statement in that the values of the restricted stock, restricted stock unit and performance share awards have been annualized equally over the four-year vesting period or performance/vesting period, respectively, for each of the awards. In addition, we believe it is also important to indicate that Mr. Zyskind's performance share award is shown at target value on the grant date. Each award may be realized at amounts significantly higher or lower than shown in the table based upon the actual performance achieved by the company during the 24-month performance period, and changes in the company's share price.

Name	Base Salary ⁽¹⁾	Cash Bonus ⁽²⁾	Annualized Value of Restricted Stock / RSU Award	Annualized Value of Performance Award ⁽⁴⁾	All Other Compensation	Total Rewards ⁽⁵⁾
B. Zyskind	\$ 975,000	\$ 2,925,000	\$ 1,703,125 ⁽³⁾	\$ 1,841,250	\$ 43,417	\$ 7,487,792
R. Pipoly	500,000	1,133,333	141,670		7,500	1,782,503
M. Caviat	731,666	1,426,410	178,320		32,145	2,368,541
M. Saxon	600,000	1,200,000	150,007		7,500	1,957,507
C. Longo	500,000	1,100,000	137,501		7,500	1,745,001

- (1) Represents actual base salary rate paid to the executive during 2012.
- (2) Represents actual cash portion of annual incentive and discretionary bonus earned by the executive for the 2012 operating period. Amount actually paid to the executive in December 2012 or March 2013.
- (3) Represents 275,000 shares of restricted stock (after dividend adjustment) valued at \$6.81 million awarded on February 15, 2012. This amount is annualized over the four-year vesting period.
- (4) Represents 275,000 performance shares (after dividend adjustment) valued at \$7.36 million awarded on May 24, 2012. This amount is annualized over the four-year vesting period. This amount is calculated based on the accounting value at date of grant, and does not include a performance discount. The actual realized value may be greater or lower depending on actual performance achievement.
- (5) Represents total of all compensation and awards made to the executive attributable to the 2012 fiscal year.

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Employment Agreements

Barry D. Zyskind

Under Mr. Zyskind's employment agreement, dated as of January 1, 2005 and amended as of October 6, 2010, Mr. Zyskind serves as our President and Chief Executive Officer. On December 31, 2012, Mr. Zyskind's employment agreement renewed for a three-year term until December 31, 2015, at which time the employment agreement automatically renews for successive three-year terms, unless we or Mr. Zyskind provide 180 days' written notice of an intention not to renew. His salary is subject to review by the Board of Directors or the Compensation Committee annually. For calendar year 2012, Mr. Zyskind received an annual base salary in the amount of \$975,000. Mr. Zyskind is also entitled to an annual profit bonus equal to two percent (2%) of our pre-tax profit if certain financial goals are met, subject to a cap equal to three times his salary. Mr. Zyskind is also eligible to receive special bonuses at the discretion of the Board of Directors or the Compensation Committee and to participate in any long-term incentive compensation plan established for his benefit or in any such plan established for the benefit of our senior management. See Compensation Discussion and Analysis Executive Compensation Bonus for further details regarding the calculation of Mr. Zyskind's bonus.

If Mr. Zyskind's employment terminates due to death or disability, his heirs are entitled to his salary payable for the remainder of his term of employment or one year, whichever is greater, at the rate in effect immediately before such termination, any annual or special bonus earned or awarded through the date of termination, any deferred compensation under any incentive or other deferred compensation plan, any other compensation or benefits that have vested through the date of termination or to which he may then be entitled according to the terms and conditions of each grant, plan or award and any reimbursements of expenses due him through the date of termination. If Mr. Zyskind's employment terminates due to disability, he will be entitled to the compensation and benefits enumerated above, except that his salary shall be offset by the amount of any long-term disability insurance benefit we may have elected to provide for him.

We may terminate Mr. Zyskind's employment for cause upon written notice to Mr. Zyskind at least 30 days prior to the intended termination. If Mr. Zyskind's employment were terminated for cause, he would be entitled to his salary through the date of termination, any annual or special bonus earned or awarded through the date of termination, any deferred compensation under any incentive or other deferred compensation plan, any other compensation or benefits which may have vested through the date of termination or to which he then may be entitled according to the terms and conditions of each grant, plan or award and any reimbursements of expenses due him through the date of termination. Cause is defined in Mr. Zyskind's employment agreement as (i) the conviction of a felony involving an act or acts of dishonesty on his part and resulting in gain or personal enrichment at our expense; (ii) willful and continued failure of Mr. Zyskind to perform his obligations under the employment agreement, resulting in demonstrable material economic harm to us; or (iii) Mr. Zyskind's willful and material breach of the noncompetition and nonsolicitation provisions of the employment agreement to our demonstrable and material detriment.

If we terminate Mr. Zyskind's employment without cause or if Mr. Zyskind terminates his employment with good reason, then Mr. Zyskind is entitled, in addition to the compensation and benefits specified in the paragraph above, to (i) a lump-sum payment equal to the salary payable to him for the remainder of his employment term at the rate in effect immediately before the termination; (ii) a lump-sum payment equal to the annual profit bonuses for the remainder of his term of employment (to be prorated for any partial fiscal year) equal to the greater of the average of the bonuses awarded to him during the three fiscal years preceding the fiscal year of termination or the bonus awarded to him for the fiscal year immediately preceding termination; (iii) continued participation, for the remainder of his term of employment, in all employee benefit plans or programs in which he was participating on the date of his termination; or, if such participation is prohibited, he shall be entitled to the after-tax economic equivalent of any such benefit which shall be determined by the lowest cost Mr. Zyskind would incur in obtaining such benefit individually; (iv) continued payment of 100% of the cost of health insurance through our group health plan for himself, his spouse and dependent children; and (v) other benefits in

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accordance with our applicable plans and programs. Good reason is defined in Mr. Zyskind's employment agreement as one of the following actions taken without Mr. Zyskind's prior written consent or his acquiescence: (i) a reduction in his then current salary; (ii) a diminution, reduction or other adverse change in the level of bonus or incentive compensation opportunities, the applicable performance criteria and otherwise the manner in which the bonuses and incentive compensation are determined for Mr. Zyskind; (iii) our failure to pay Mr. Zyskind any amounts otherwise vested and due him hereunder or under any of our plans or policies; (iv) a diminution of Mr. Zyskind's titles, position, authorities or responsibilities, including not serving on the Board of Directors; (v) the assignment of duties incompatible with Mr. Zyskind's position of President; (vi) imposition of a requirement that Mr. Zyskind report other than to the full Board of Directors; or (vii) a material breach of the employment agreement by us that is not cured within 30 business days after written notification by Mr. Zyskind of such breach.

Mr. Zyskind has agreed to keep confidential all information regarding the Company that he receives during the term of his employment and thereafter. He also agreed that, upon termination of employment, other than a termination without cause or due to good reason, he will not solicit any of our customers or employees for one year after termination.

Ronald E. Pipoly, Jr.

Pursuant to Mr. Pipoly's employment agreement, dated as of March 1, 2010 and amended as of March 1, 2012, he has agreed to serve as our Chief Financial Officer. Mr. Pipoly's term of employment under his agreement continues until February 28, 2015, at which time the employment agreement will automatically renew for successive three-year terms, unless we or Mr. Pipoly provide 90 days' written notice of an intention not to renew. In 2012, Mr. Pipoly received an annual base salary in the amount of \$500,000 and is entitled to a salary review each March during the term of his employment agreement. In March 2013, Mr. Pipoly's salary was increased to \$600,000. Mr. Pipoly is entitled to an annual bonus comparable to our other senior executives, subject to a cap equal to three times his then current salary. Mr. Pipoly is also entitled to other bonus payments in the discretion of the Board of Directors.

In the event of disability, we may terminate Mr. Pipoly's employment upon five days' written notice; however, Mr. Pipoly will be entitled to receive his salary and any unreimbursed expenses following the disability termination date for a period that is the greater of one year or the remainder of the term of his employment agreement. In the event Mr. Pipoly dies during his term of employment, his heirs will be entitled to receive his salary following the date of death for a period that is the greater of one year or the remainder of the term of his employment agreement.

We may terminate Mr. Pipoly's employment at any time for cause and, upon such an event, we will have no further compensation or benefit obligation to Mr. Pipoly after the date of termination. Cause is defined in Mr. Pipoly's employment agreement as (i) habitual or gross negligence in the performance of his duties and responsibilities for us, including a failure to perform such duties and responsibilities, provided such performance or neglect is not corrected (assuming it is correctable) by Mr. Pipoly within twenty (20) business days after receipt of written notice from us; (ii) any material breach by Mr. Pipoly of the employment agreement or any other agreement with us or any of our affiliates to which Mr. Pipoly is a party, provided such performance or neglect is not corrected (assuming a reasonable person would believe it is correctable) by Mr. Pipoly within twenty (20) business days after receipt of written notice from us; (iii) breach of a fiduciary duty to us or failure to act in our best interests; (iv) the arrest (following an investigation of the facts that results in a determination by us of Mr. Pipoly's culpability) of, conviction of, or admission by, Mr. Pipoly of a felony or crime involving moral turpitude, whether or not committed in the course of performing services for us; (v) the commission by Mr. Pipoly of any acts of moral turpitude, including the commission by Mr. Pipoly of embezzlement, theft or any other fraudulent act; or (vi) violation of our policies, provided such violation is not corrected (assuming a reasonable person would believe it is correctable) by Mr. Pipoly within twenty (20) business days after receipt of written notice from us.

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Mr. Pipoly has agreed to keep confidential all information regarding the Company that he receives during the term of his employment and thereafter. Mr. Pipoly has also agreed that upon termination of employment he will not compete with us for a period of one year following the date of termination and will not solicit any of our customers or employees or solicit any entity that has been contacted by us regarding a possible acquisition of that entity, for three years after termination.

Max G. Caviet

Under Mr. Caviet's employment agreement, dated as of November 22, 2010, Mr. Caviet serves as one of our senior executives, as President and a director of our wholly-owned subsidiary, AII, and as an officer and director of other of our subsidiaries. Mr. Caviet's term of employment under this agreement is through December 31, 2013. The employment agreement will automatically renew for successive three-year terms, unless we or Mr. Caviet provide 180 days' written notice of an intention not to renew.

Pursuant to the employment agreement, in 2012, Mr. Caviet received an annual base salary in the amount of £450,000 and is entitled to an annual salary review each January during the term of his employment agreement. In March 2013, Mr. Caviet's salary was increased to £550,000. Mr. Caviet is entitled to an annual profit bonus equal to ten percent (10%) of the subject profits of the specialty risk and extended warranty business written by us and our affiliates under Mr. Caviet's direct or indirect supervision, provided that the net pre-tax profit is no less than 75% of the profit target for that year. See Compensation Discussion and Analysis Executive Compensation Bonus for further details regarding the calculation of Mr. Caviet's bonus. Mr. Caviet may also receive other bonus payments determined at the sole discretion of the Board of Directors.

In the event of disability, we may terminate Mr. Caviet's employment upon five days' written notice; however, he will be entitled to receive his salary for a period that is the greater of one year or the remainder of the term of his employment agreement, his profit bonus earned through the disability termination date but not yet paid, and any unreimbursed expenses due him through the disability termination date. In addition, we must provide Mr. Caviet permanent health insurance, which is intended to provide benefits to him in the event of termination for disability, except that the amount of any salary we owe to Mr. Caviet will be offset by the amount of any insurance provided. In the event Mr. Caviet dies during his term of employment, his heirs will be entitled to receive his salary for the remainder of the term of his employment agreement or one year, whichever is greater, his profit bonus earned through his date of death but not yet paid to him, as well as any unreimbursed expenses due him through the date of termination.

If we terminate or do not renew Mr. Caviet's employment for gross misconduct, we will not be obligated to pay any other compensation or benefits to Mr. Caviet after the date of termination. Gross misconduct is defined as (i) a material or serious breach of the agreement by Mr. Caviet, but only if such breach is not cured within 30 days following our written notice to Mr. Caviet of such breach, assuming such breach may be cured; (ii) conviction of any act or course of conduct involving moral turpitude; or (iii) engagement in any willful act or willful course of conduct constituting an abuse of office or authority that significantly adversely affects our business or reputation or that of Mr. Caviet.

If we terminate or non-renew Mr. Caviet's employment for any reason other than gross misconduct, he will be entitled to receive (i) his salary for a period of one year from the original expiration date of the term of employment, or one year from the effective date of termination or non-renewal, whichever is greater and (ii) his profit bonus on all specialty risk and extended warranty business written by us and our affiliates under his direct or indirect supervision through the date of termination, through the expiration of such business, for a maximum period of five years from the date of termination.

If Mr. Caviet does not renew his employment agreement for the purpose of retirement (as defined under U.K. law), he will be entitled to his profit bonus on all specialty risk and extended warranty business written by us and our affiliates under his direct or indirect supervision through the end of the term of his employment

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agreement, through the expiration of such business, for a maximum period of five years from the end of the term of his employment agreement.

Mr. Caviet has agreed to keep confidential all information regarding the Company that he receives during the term of his employment and thereafter. Mr. Caviet has also agreed that, upon termination of employment, he will not solicit any of our customers or employees or solicit any entity that h